

Powerlink
2027-32 Revenue Proposal

Revenue Proposal Reference Group Meeting

May 2025



Powerlink acknowledges the Traditional Owners and their custodianship of the lands and waters of Queensland and in particular the lands on which we operate.

We pay our respect to their Ancestors, Elders and knowledge holders and recognise their deep history and ongoing connection to Country.



Information

Dear reader

We publish information in connection with our customer panel and its sub-committees on our website, for information purposes only.

While we make every effort to make sure the information regarding our customer panel and its sub-committees is informative, this information may reflect works in progress and may be updated or amended from time to time.

You should not rely on the information as a substitute for obtaining your own detailed independent advice.

The information does not constitute legal, regulatory or business advice, and we do not guarantee its accuracy, suitability, fitness for purpose, reliability or completeness.

Information regarding our customer panel may include the views or recommendations of third parties and does not necessarily reflect the views of Powerlink Queensland or indicate a commitment by us to a particular course of action.





Thank you

Meeting Purpose

1. Provide an update on our engagement approach and seek input from the RPRG to update the Engagement Plan
2. Provide updated forecasts for Powerlink's 2027-32 Revenue Proposal
3. Address feedback from the preliminary forecast and actions from previous meetings
4. Gather input from the RPRG to inform future forecasts

Reminder: this meeting will be recorded and transcribed to aid record keeping

Agenda

Item	Duration	
Engagement check-in	45 minutes	
Operating expenditure forecast	45 minutes	
Capital expenditure forecast	45 minutes	
Break		
Regulated revenue forecast	45 minutes	



Gerard Reilly

Engagement check in

May 2025

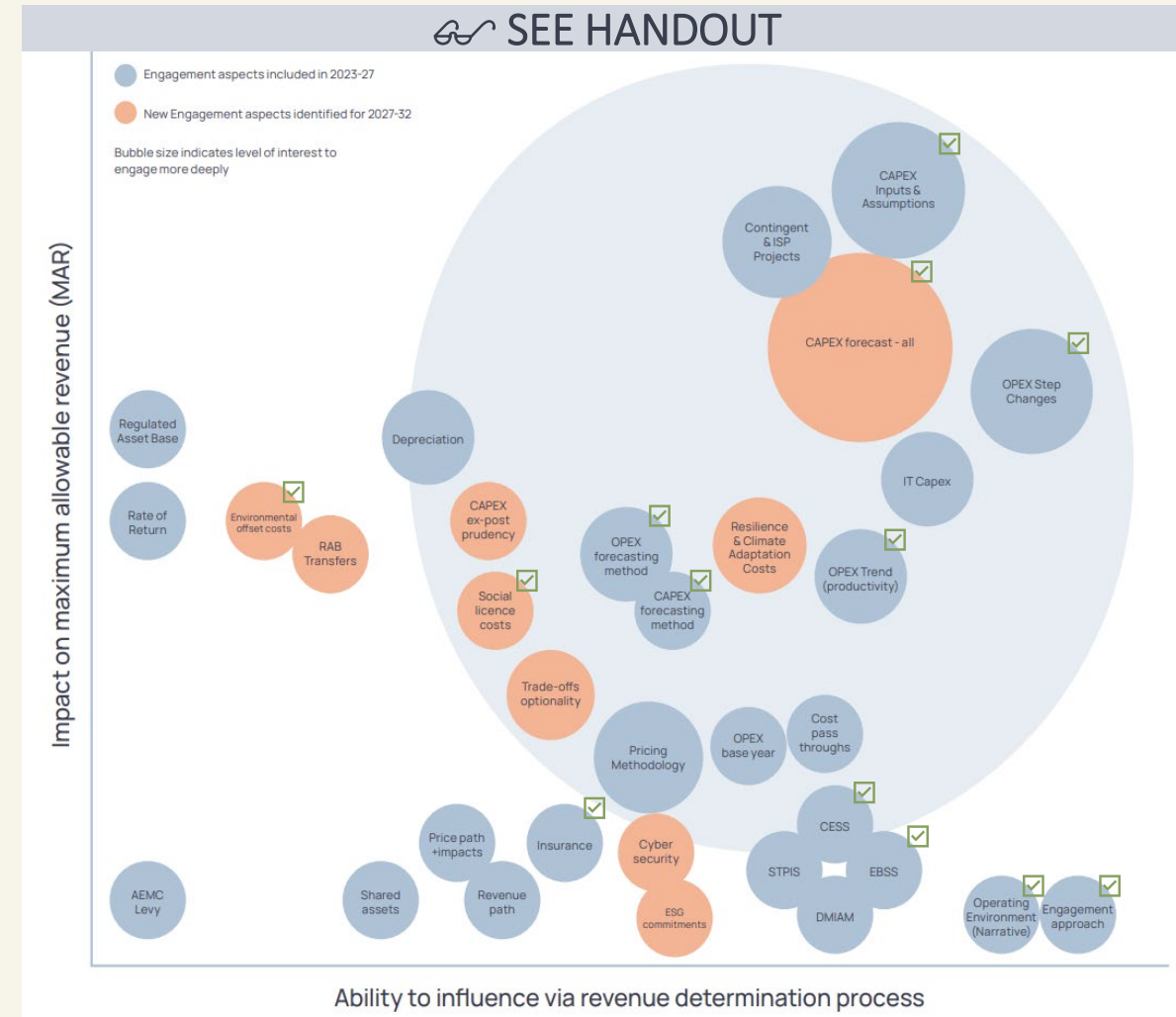


RPRG engagement scope and published outputs

Business Narrative and Engagement Plan developed collaboratively by Powerlink and the Customer Panel in late 2024

Schedule and topics for RPRG meetings for 2025 circulated

RPRG has met three times in February, March and April 2025. The Customer Panel also met in April 2025.



Outcomes from RPRG meetings #1-3

Received	Feedback from RPRG	Actioned
FEBRUARY	Support for new questions to be added to Queensland Household Energy Survey to widen engagement scope	✓ MARCH
FEBRUARY	Request for additional meeting to gain a more detailed understanding of capital expenditure forecasting methodology	✓ APRIL
FEBRUARY	Support for Capable of Acceptance criteria approach, in particular the role of the AER in the proof point for reasonableness of opex and capex forecasts	✓ APRIL
MARCH	Raised risk of material changes in base year as actual costs are revealed and issue of how risk is accounted for	⌚ PENDING
APRIL	Asked Powerlink to consider further engagement with directly connected customers and C&I loads to widen engagement	⌚ PENDING

Additional engagement activities

RPRG recognised Powerlink is undertaking good depth of engagement, but recommended Powerlink undertake broader engagement, e.g. with directly-connected and Commercial & Industrial (C&I) customers

Powerlink's proposed approach is:

In person

- Host a regional engagement forum in Gladstone in August 2025
- Transmission Network Forum November 2025
- Ongoing one-on-one meetings with customers as required (as part of BAU)

Online

- Additional questions developed and included in upcoming *Queensland Household Energy Survey*
- Develop an information pack and questions to seek further input from directly-connected customers and C&I customers
 - Working with EUAA to undertake an EOI/promotion to participate
 - Engaging with Energy Queensland to seek input from their C&I customers.

Questions for direct-connect and C&I customers

Question 1:

What is more important for your business – the cost of electricity or reliable supply? Please explain why.

Question 2:

Over the coming 10 years do you expect your demand for electricity from the transmission network will increase, decrease or remain the same? Please outline the reasons for this.

Question 3:

What other factors should Powerlink consider in developing our 2027-32 Regulatory Proposal?

Improving our engagement approach

From an engagement perspective:

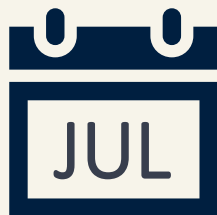
- What is working well so far?
- Where can we improve?
- What are more effective ways to collect formal and informal feedback from RPRG members?

Following today's meeting, Powerlink will provide an updated version of the Engagement Plan for review.

Upcoming meetings – proposed topics:



Cyber security and IT capex
Contingent projects and PTI










Pricing methodology
Depreciation
Opex base year



Trade-offs / options
Updated forecasts
Non-network capex

Actions

	Action	Progress
1.6	Include the potential impacts on the Maximum Allowed Revenue arising from large capital projects that are outside the revenue determination process	
2.2	Update Engagement Plan to reflect change in participation level for social performance from consult to inform	
2.3	Provide updated charts to illustrate the split of regulated capex by categories for actual/forecast capex within the current 2022-27 period	
2.4	Provide updated charts to illustrate the split of regulated capex by categories for forecast for the 2027-32 regulatory period	
2.6	Review forecasting approach used for insurance costs in the last regulatory period and report back to RPRG	
3.1	Provide information on the distribution of projects (grouped by value) over both the current and forecast regulatory periods	
3.2	Provide a view of the likely value of approved projects anticipated at the time of lodging the Revised Revenue Proposal with the AER	
3.3	Provide commentary on the guiding principles for option selection and the risk of change to forecasts	
3.4	Provide information to the RPRG to illustrate how changes to the preferred option may have led to material cost increases in the current regulatory period	
3.6	Present information on the value of opex subject to the EBSS, and forecast revenue adjustments arising	
NEW	Proposal to postpone August RPRG meeting from Wednesday 20/8 to Thursday 21/8 due to Gladstone event	
NEW	Proposal to cover resilience and climate adaptation with the full Customer Panel (September meeting most likely)	



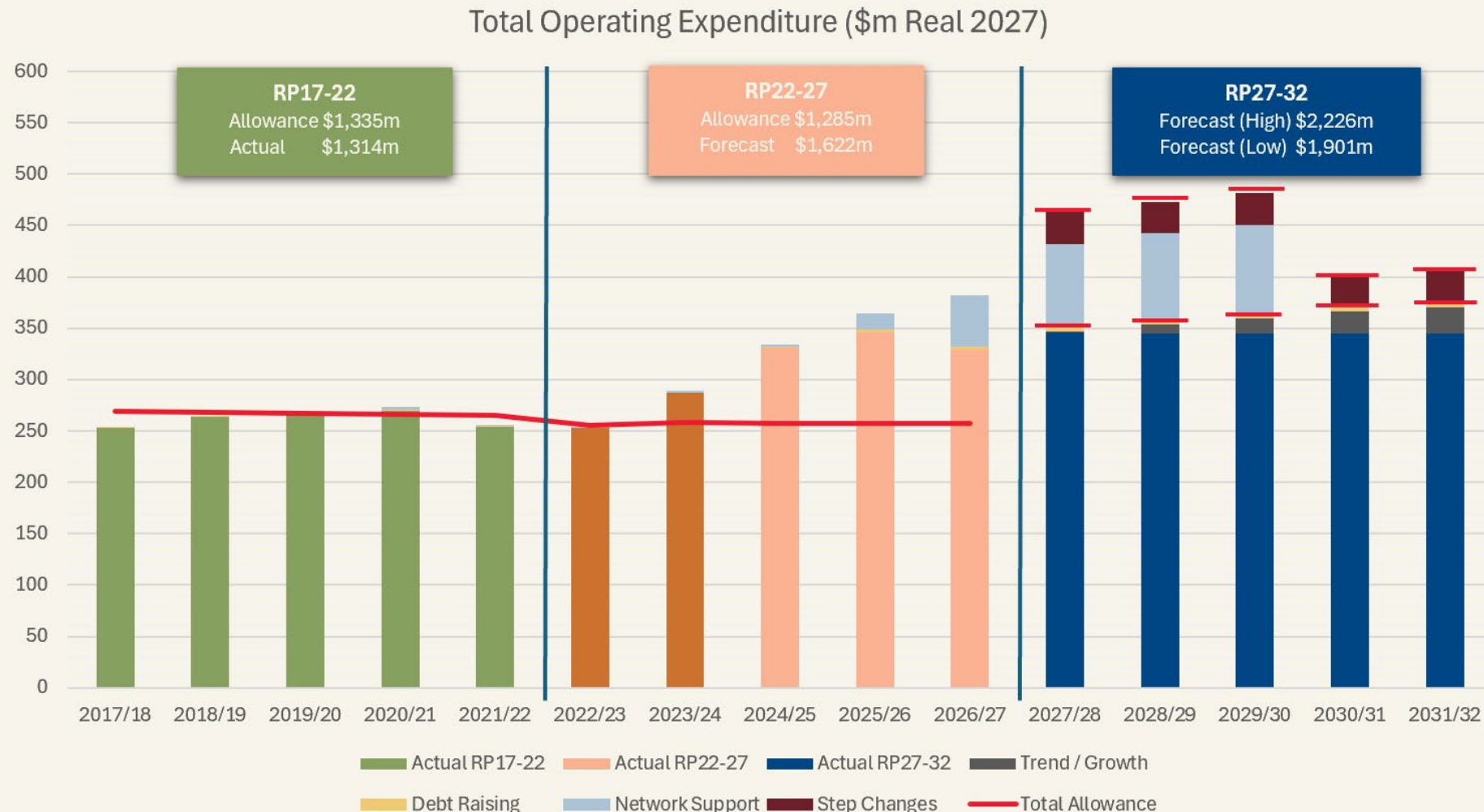
Michelle Beavis

Operating expenditure forecast

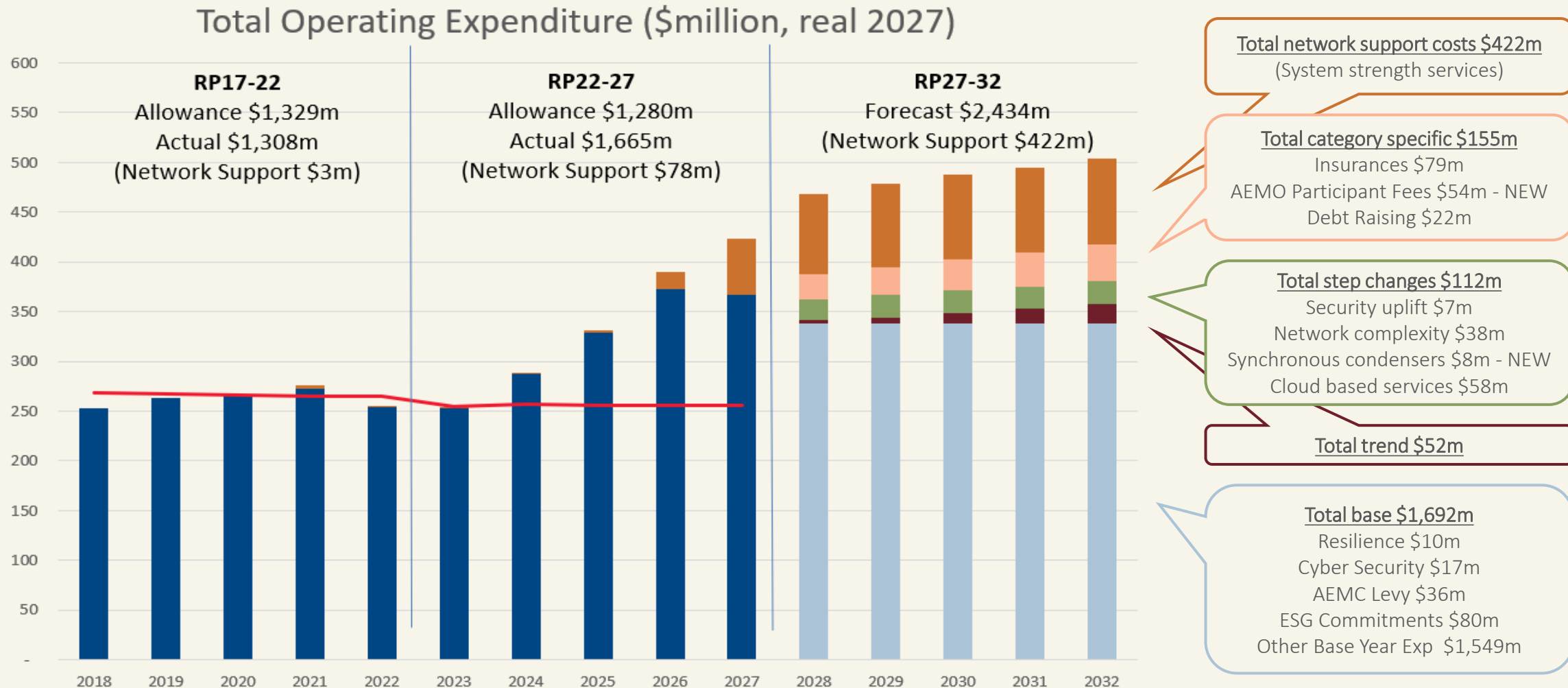
May 2025



Operating expenditure forecast – February



Operating expenditure forecast – May



Updated inputs and assumptions – May

Total opex has increased to \$2,434 million due to:

Category	Description	RP27-32 change \$real 2027
Base	<ul style="list-style-type: none">Base year 2025/26 updated to reflect current forecastInflation rates updated (per RBA Statement on Monetary Policy, 20 Feb 2025)	-\$21m
Trend	<ul style="list-style-type: none">Output – Energy growth demand forecast updated in line with AEMO ESOO 2024Price – WPI updated to average of 2 recent sources	-\$31m
Step Changes	<ul style="list-style-type: none">Added synchronous condenser maintenanceRemoved land management code and arc flashReduced forecasts for security uplift and network complexity due to base year inclusions	-\$44m
Category Specific	<ul style="list-style-type: none">Added AEMO Participant Fees (\$54m) and Insurances (\$79m)Increased network support (system strength) forecasts (additional \$172m)	+\$305m
Total change	Total change from February to May forecast RP27-32	+\$208m

Insurance forecasting approach (Action 2.6)

2022-27 Regulatory Period

- Based on feedback, we forecast insurance costs (premiums and self-insurance) from within our base year rather than bottom up (category specific) that would have been consistent with previous years
- This was due to volatility in the insurance market which was in a hard phase of the cycle, and in the context of customer affordability

2027-32 Regulatory Period (proposed)

- The current forecast for insurance increases at approx. 8-11% annually, which is significantly higher than the rate of change (trend of 1.13% per annum) within the period
- Insurance has been included as category specific expenditure in the May forecast.

Efficiency Benefit Sharing Scheme Insights (Action 3.6)

EBSS applies to overspend in current 2022-27 regulatory period

- Incremental gain/loss is recovered over 5 years to provide for continuous incentive, with net carryover calculated where crosses regulatory periods
- Incremental gain/loss applied as a positive/negative adjustment to annual Maximum Allowed Revenue in the next regulatory period

For the purposes of EBSS, we are forecasting to exceed allowance in current 2027-32 regulatory period by \$103 million

Net carryover amount into 2027-32 regulatory period forecast to be \$287 million (negative).



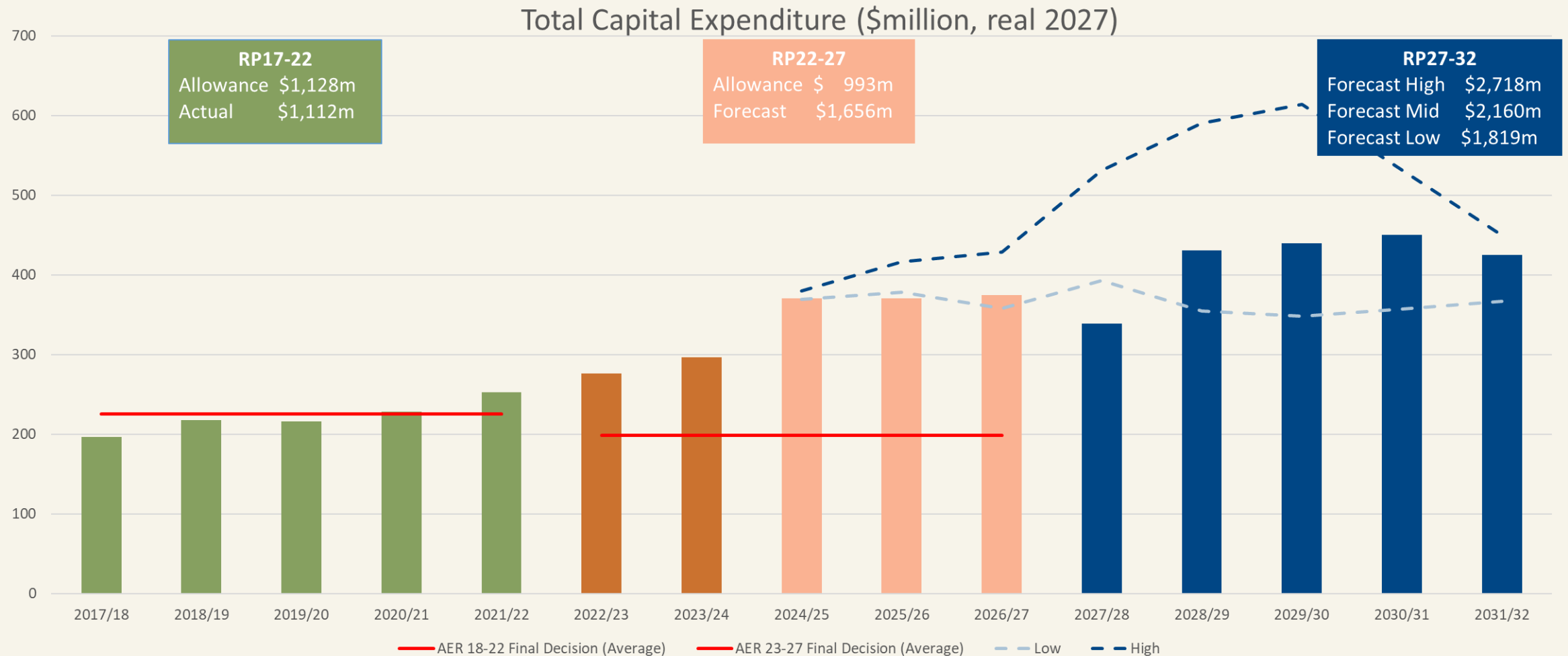
Aidan Lawlor

Capital expenditure forecast

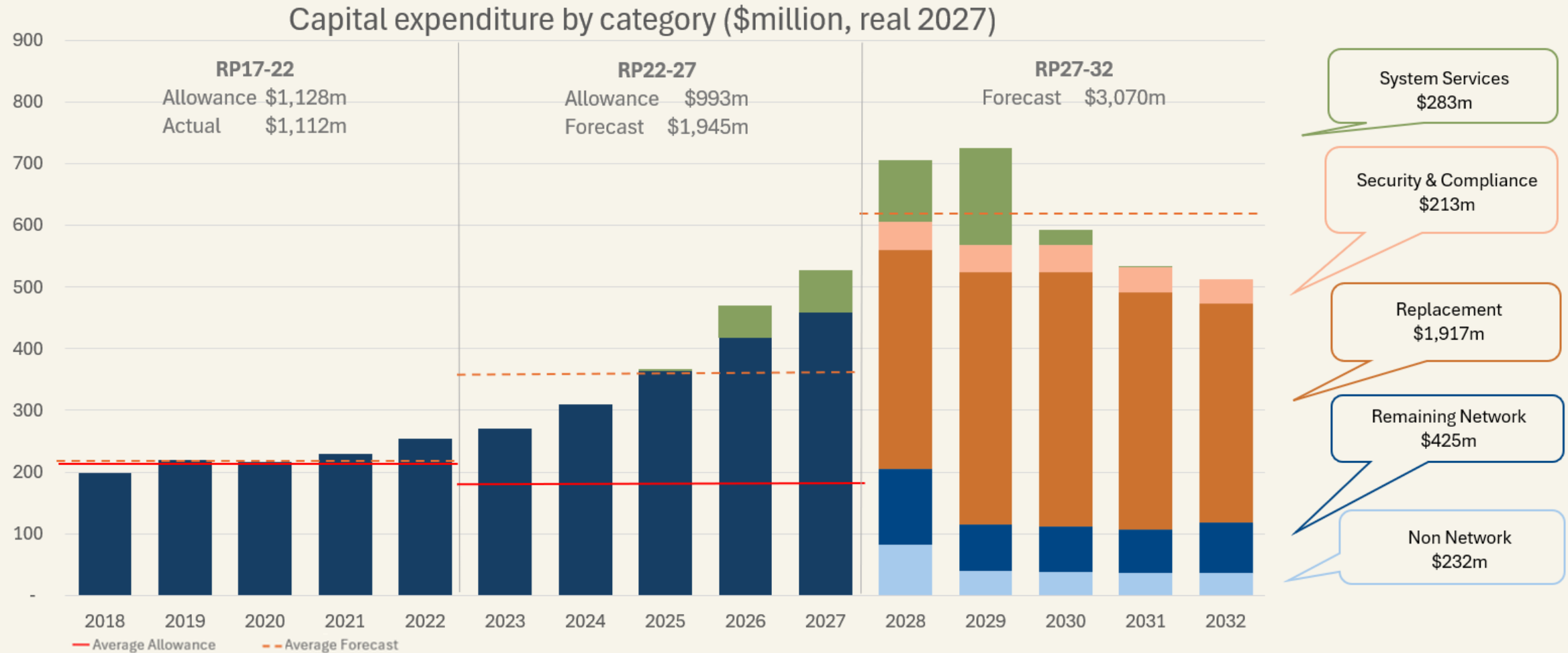
May 2025



Capital expenditure forecast – February



Capital expenditure forecast – May



Updated inputs and assumptions – May

The May forecast is largely aligned to the bottom-up (high) forecast presented in February

The forecast has increased by approx. \$300 million to \$3,070 million for the 2027-32 regulatory period

Key differences from February

- Physical security program included to comply with Security of Critical Infrastructure (SOCRI) Act
- Additional synchronous condensers included as a result of the system strength RIT-T

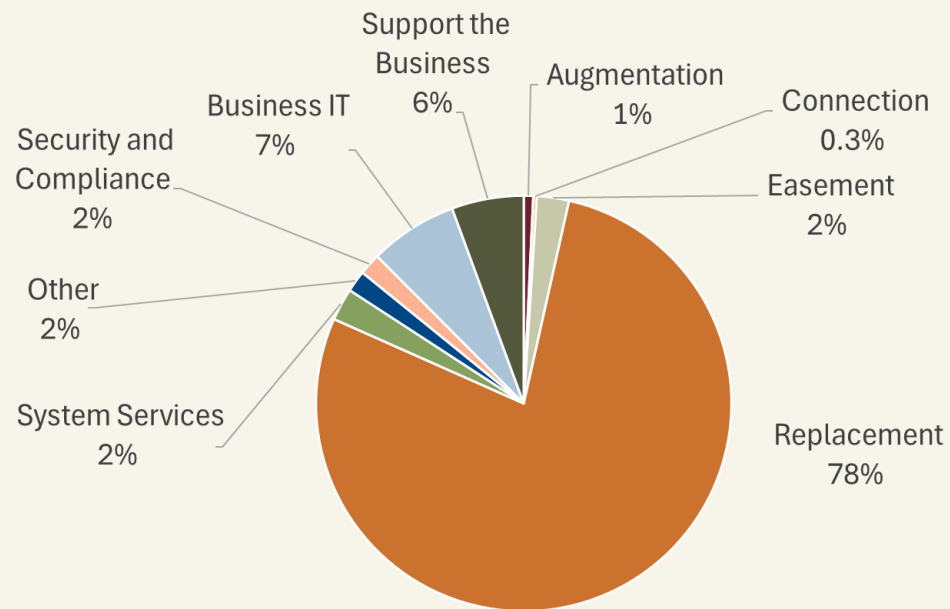
Next forecast

- Ongoing challenge of identified business needs underpinning the forecast
- More developed understanding of reinvestment requirements (timing, scope, cost and risk trade-off)
- Further consideration of deliverability of portfolio of works

Capex by category for 2022-27 (Action 2.3)

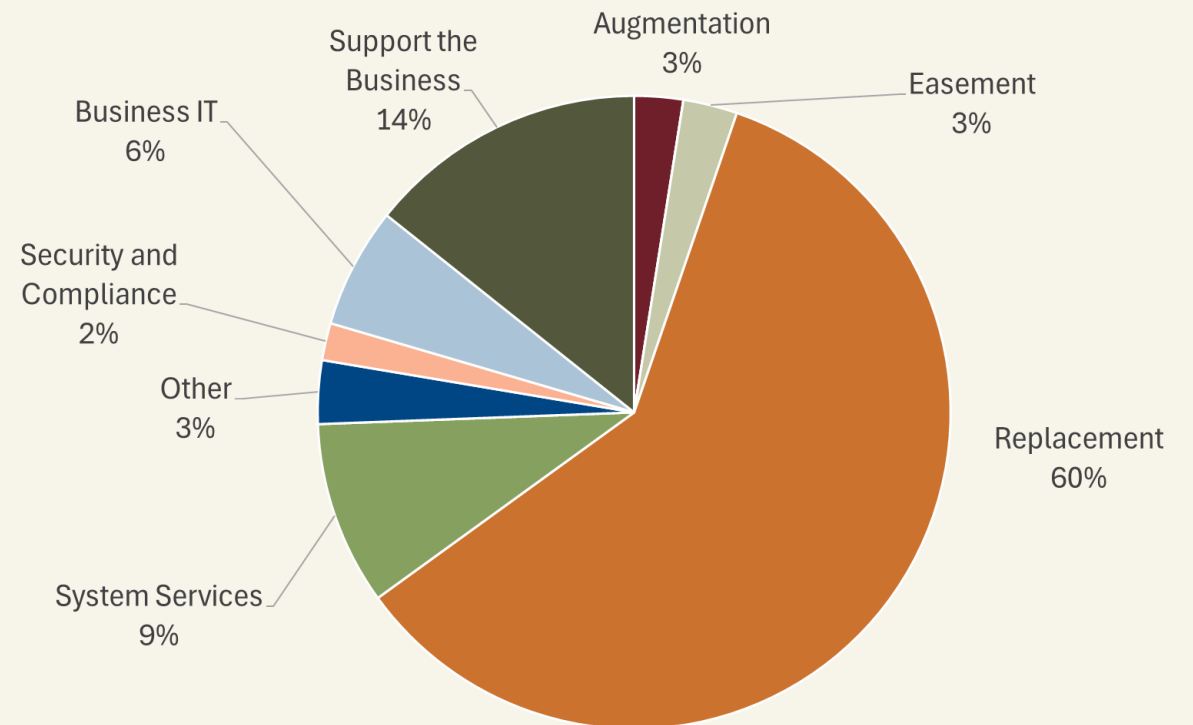
Allowance by Category (2022-27)

Total = \$993 million (\$real 2027)

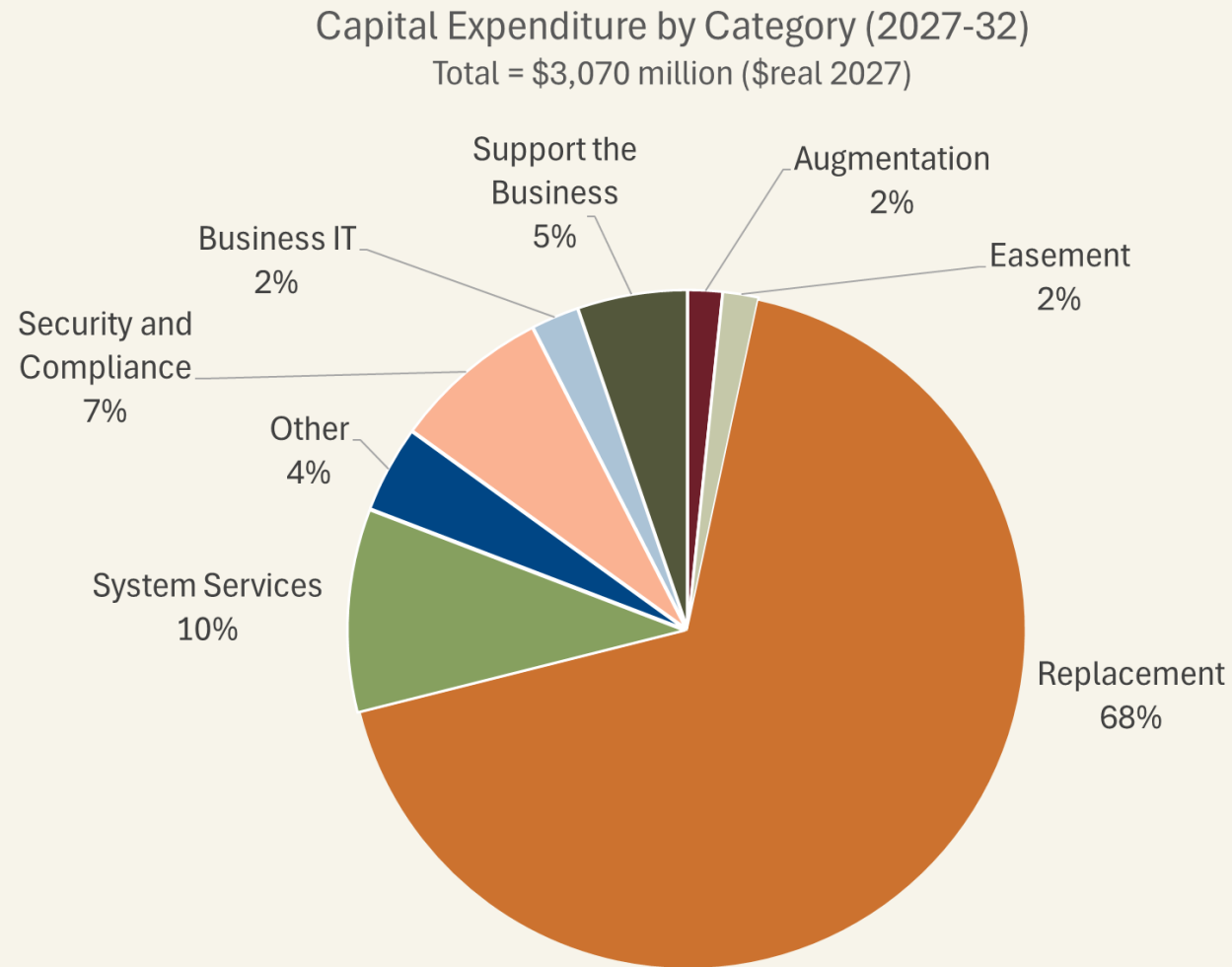


Actual/Forecast by Category (2022-27)

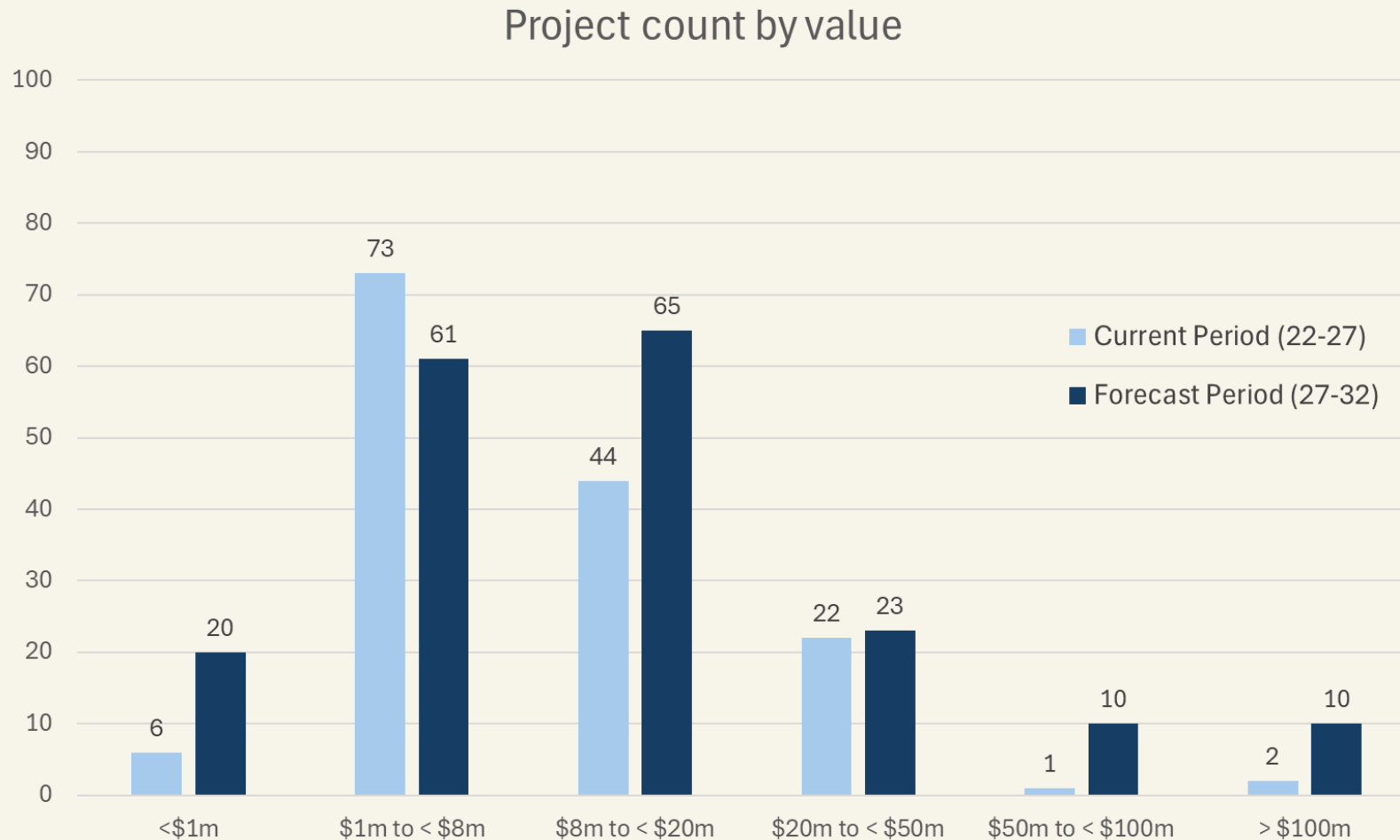
Total = \$1,945 million (\$real 2027)



Capex by category for 2027-32 (Action 2.4)



Capex projects by value (Action 3.1)





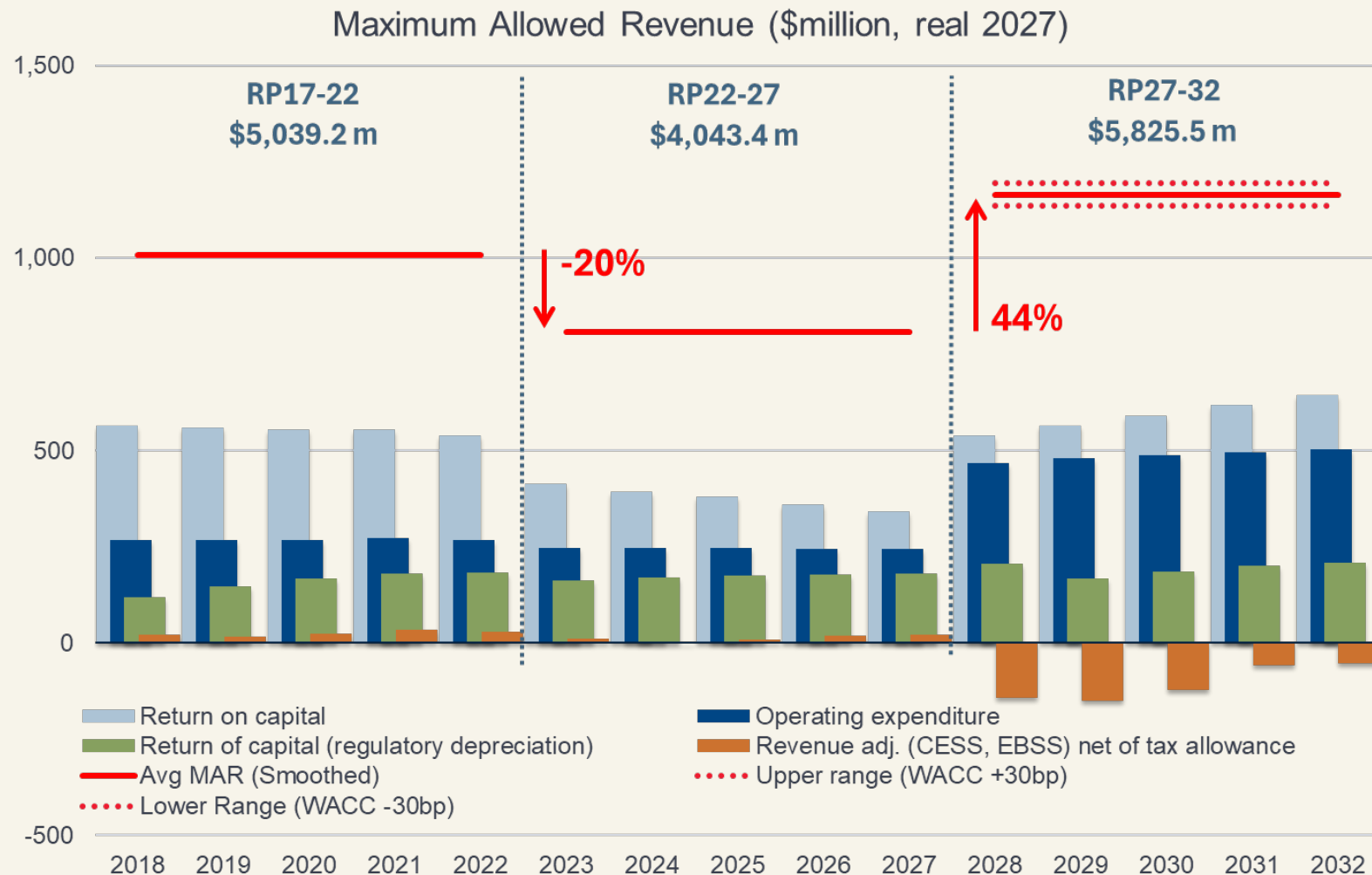
Nina Zhuang

Regulated revenue forecast

May 2025



Revenue forecast by regulatory period – May



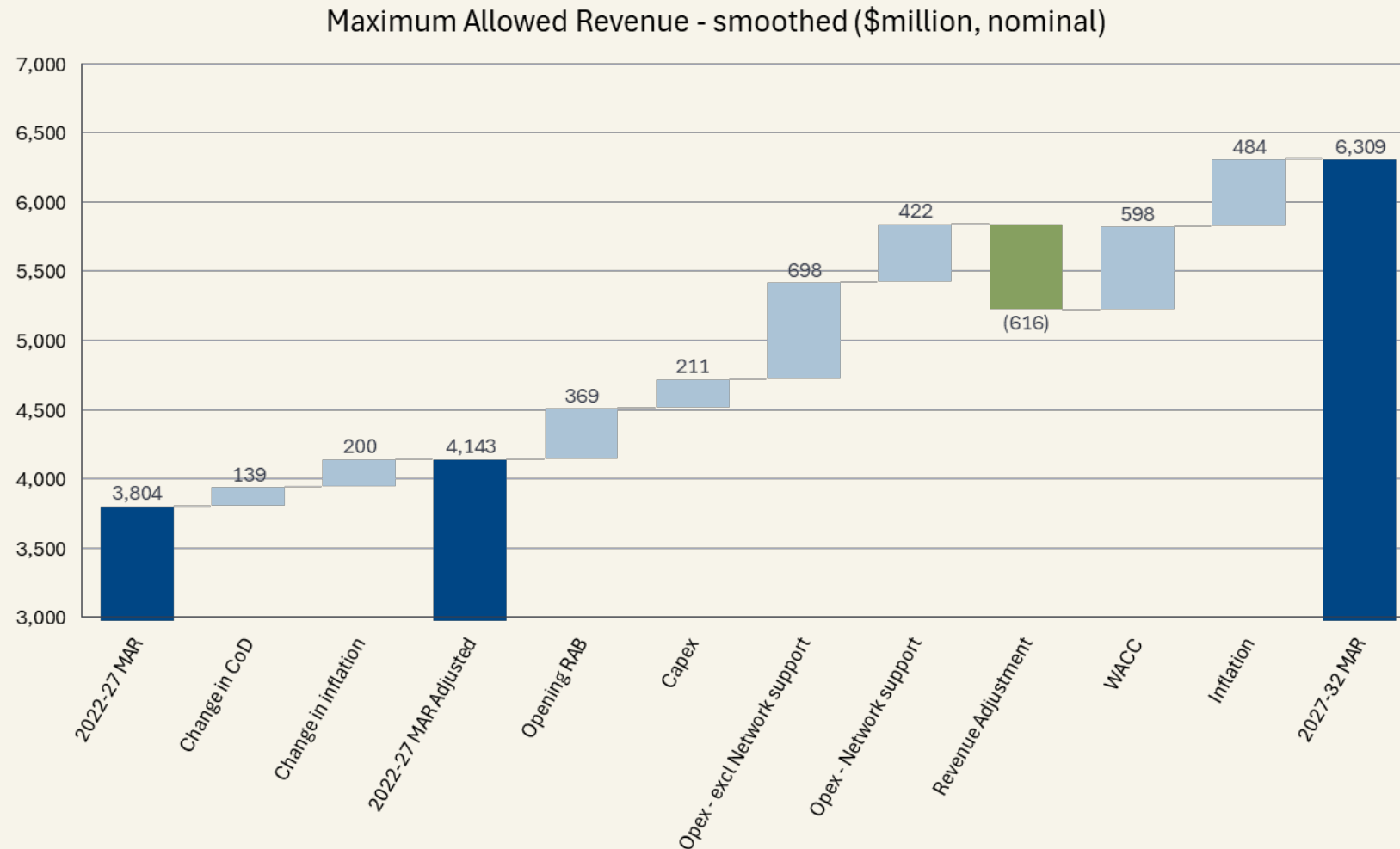
Average MAR is expected to increase by 44%, in real terms, in the next regulatory period, largely driven by:

- higher WACC (+155bp)
- higher opening RAB
- higher opex
- partly offset by negative CESS and EBSS carryovers

Sensitivity to WACC:
 $\Delta 30\text{bp} = \text{MAR } \Delta 2.5\%$
 (in real terms).

All \$ values are preliminary

Key drivers behind the MAR increase 2027-32

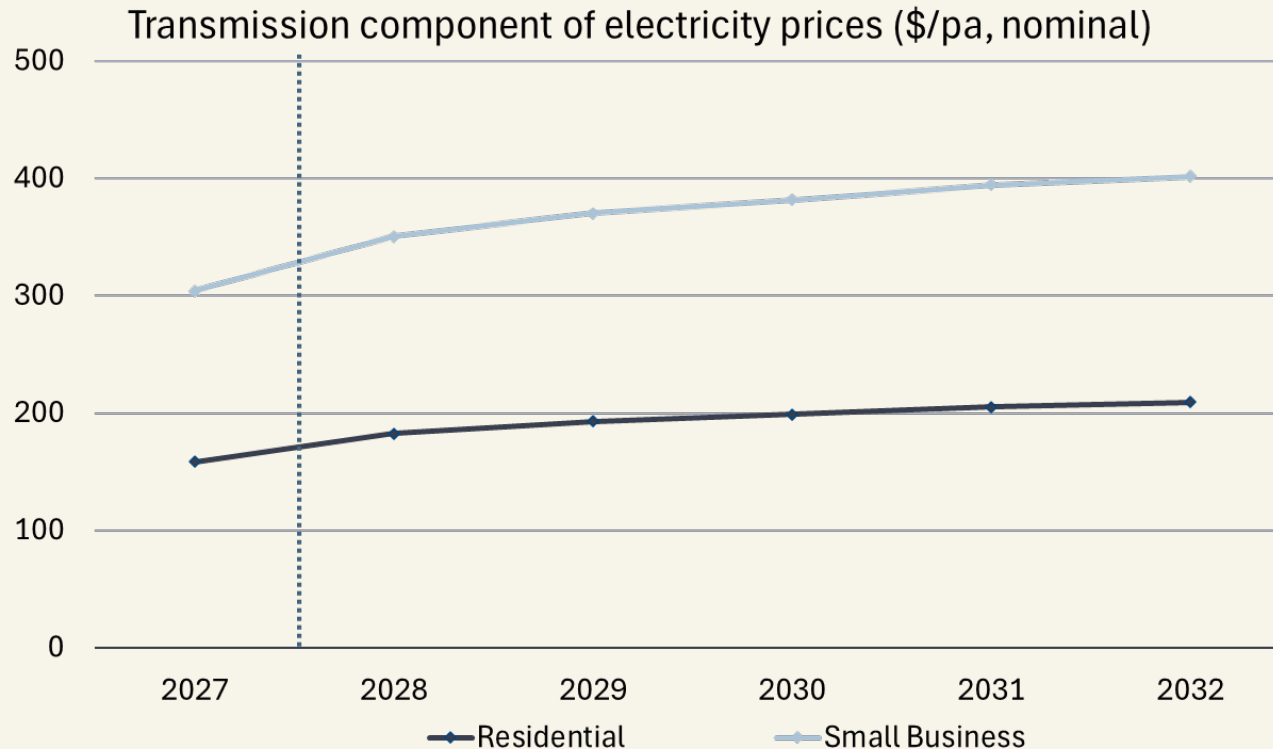


MAR is expected to increase by 66% in nominal terms.

Approximately 75% of the MAR increase is driven by external factors and new obligations for system strength.

All \$ values are preliminary

Forecast impact on prices



Indicative impact (\$nominal) on the **transmission component** of electricity prices:

- For the first year of the next regulatory period (2027-28):
 - Residential customers: +\$24 (+15%)
 - Small business customers: +\$46 (+15%)
- For the remainder of the regulatory period: +3.5% per annum.

Transmission as a proportion of total electricity bill¹:

- Residential customers: 7.2%
- Small business customers: 6.7%

¹ Based on the AER's Revised final determination – Default Market Offer Prices 2024-2025 (typical annual electricity usage of 4,600 kWh for residential customers and 10,000 kWh for small businesses) and Energex's 2024-25 annual SCS pricing model, 28 March 2024.

All \$ values are preliminary

Thank you