

## Revenue Proposal Reference Group Meeting No.5

## Details of Meeting

Date and time of meeting	13:00 – 16:00, Wednesday 11 June 2025
Location	Powerlink Offices, Virginia

## Attendees

## Organisation

**RPRG members – customer representatives**

Alicia Kennedy (online)	Queensland Farmers' Federation (QFF)
Katie-Ann Mulder	Queensland Renewable Energy Council (QREC)
Chris Hazzard	St Vincent de Paul Society
Mark Grenning (online)	Energy Users Association of Australia (EUAA)
Nardia Yeates	Aurizon
Robyn Robinson	Council on the Ageing (COTA)

**RPRG members – Powerlink representatives**

Roger Smith (RPRG Chair)	Director Revenue Reset
Gerard Reilly	General Manager Communications, Customer and Engagement
Jenny Harris	General Manager Network Regulation

**Guests and speakers**

Leigh Pickering	Executive General Manager People and Corporate Services
Jacqui Bridge (14:00-16:00)	Executive General Manager Energy Futures
Brendon Kirby	General Manager Business IT and Digital Delivery (acting)
Michael Green (online)	General Manager Energy and Digital Management
Tim Regan	General Manager Network Portfolio
Cameron McLean	Manager Network Planning
Nina Zhuang	Finance and Modelling Lead, Revenue Reset
Michelle Beavis	Opex Lead, Revenue Reset
Aidan Lawlor	Capex Lead, Revenue Reset
Simon Hendry	Governance Lead, Revenue Reset
Jessica Purdy	Customer Engagement Specialist, Revenue Reset

Attendees	Organisation
<b>Invited stakeholders</b>	
Michael Brothers (online)	Australian Energy Regulator (AER)
Albert Tong (online)	Australian Energy Regulator (AER)
Mike Swanston (online)	AER Consumer Challenge Panel No.34
David Prins (online)	AER Consumer Challenge Panel No.34

## Meeting Agenda

1. Cyber security and business IT (13:00)
2. PTI and contingent projects (14:15)
3. Other business (15:00)

## Overview / Notes of Meeting

Roger Smith, Director Revenue Reset, opened the meeting with introductions and an overview of the agenda. Presentation slides that accompany these notes are published on the [Powerlink Customer Panel webpage](#).

### 1. Cyber security and business IT

Brendon Kirby, Acting General Manager Business IT and Digital Delivery, presented the current and forecast IT expenditure, highlighting cybersecurity investment in the 2023-27 regulatory period and focus areas for the 2027-32 regulatory period.

#### 1.1 Cyber security

Brendon presented on the significant and increasing cyber security threats faced by transmission network businesses and the investments made to address these risks, including collaboration with other utilities and the Australian Signals Directorate. Improvements have led to achievement of security profile level two (SP2), with targeted investments beyond SP2 in specific risk areas.

#### *Discussion, questions and responses*

Discussion highlighted the importance of a pragmatic risk-aligned approach to prioritising investment based on the most critical risks, to effectively manage cybersecurity without the expense and disruption of a wholesale uplift to security profile level three (SP3). Not all slides have been published, or discussion represented in these notes, due to cyber-security and confidentiality.

1. How does Powerlink assess its cyber security threat level compared to peer organisations?
  - a. Other transmission network businesses are experiencing a similar threat level and we are learning from each other.

1. How fast is the cyber security incident rate growing and does that growth correlate to cost?
  - a. Incidents are increasing at roughly 10% per month for Powerlink.
  - b. Attacks on Operational Technology (OT) targeting telcos and utilities are also increasing and rapid replacement of compromised equipment is challenging due to 24-hour operation.
  - c. Correlation with cost is not direct, however the field is continually evolving which drives increasing cost and frequent updates to security profile requirements.
2. Is there a trade-off between newer technology and cyber threat risk?
  - a. Use of older technology is typically restricted by availability and compatibility.
  - b. OT may be covered in more detail at a future meeting.

### 1.2 Current and forecast IT expenditure

Current period IT achievements were noted. At this stage, Powerlink forecasts that it will exceed its allowance in the current period by approximately \$34 million, primarily due to input cost escalation and our response to the evolving cyber threat environment. Cyber security will continue to be a focus for the 2027-32 regulatory period. The total proposed IT expenditure for 2027-32 is \$113 million, driven by increasing scale and complexity of cyber security investments and the ongoing need to maintain and renew business systems and supporting infrastructure.

#### *Discussion, questions and responses*

3. Can Powerlink provide post-implementation reviews (PIRs) for IT investments to demonstrate efficiency gains and benefits realised in the current period, and will this information be provided with the Revenue Proposal?
  - a. Powerlink will provide examples of PIRs to the RPRG.
  - b. We are not currently intending to provide this as part of the Revenue Proposal, but relevant material will be provided to the AER in the event of an ex-post capex review.
4. What is the return on investment for IT projects and what are the implications of not investing?
  - a. Individual investment cases are developed for all expenditure, typically detailing productivity gains or avoided costs, licensing cost optimisation and business need for equipment and services.
5. Can IT investment mitigate some asset refurbishment costs?
  - a. Yes. Investment in technology can create efficiencies that reduce investment in other assets.
6. Is there a higher cost initially to establish new programs, versus maintain and improve on existing?
  - a. Cyber systems are updated frequently, so expenditure is a mix of establishment and improvement.
7. What method does Powerlink use to factor for unknown investments that will be needed in 2027-32, as the cyber and Artificial Intelligence (AI) world continues to advance?
  - a. Project sizes are typically small and incremental to minimise complexity, while agile governance processes identify issues and trigger interventions where necessary.

## 2. PTI and contingent projects

We presented an overview of the Gladstone Priority Transmission Investment (PTI) and six potential contingent projects, and the associated impacts on capital expenditure, revenue, and customer bills. Details on each investment pathway were provided, to establish the differences between capital projects included in the Revenue Proposal ex-ante expenditure forecast, contingent projects which are also addressed in the Revenue Proposal and PTI projects which fall outside the National Electricity Rules.

### 2.1 Gladstone PTI

Tim Regan, General Manager Network Portfolio, provided details on the Gladstone project, its importance for reliable power supply in Central Queensland, and the PTI process. Advice from the Australian Energy Regulator and a ministerial direction are required to approve the expenditure and recovery mechanisms. The project summary is included in the presentation slides which accompany these notes.

#### *Discussion, questions and responses*

8. Could PTI investment be split between the state government and Powerlink's Regulatory Asset Base (RAB)?
  - a. Potentially, but this is a decision for government.
9. Does the stated cost include an accuracy or risk adjustment?
  - a. Costs include contingency and escalation.

### 2.2 Contingent projects

Aidan Lawlor, Capex Lead, Revenue Reset, and Cameron McLean, Manager Network Planning, provided details of six potential contingent projects being considered as part of the revenue determination process. Project summaries are included in the presentation slides which accompany these notes.

#### *Discussion, questions and responses*

10. Is the Northern Bowen Basin project similar to a contingent project from the 2023-27 Revenue Proposal and is it in addition to other augmentations to strengthen the backbone transmission network?
  - a. The contingent project in the 2023-27 Revenue Proposal was linked to plausible load growth in North Queensland. The candidate project identified was stringing the second side of a double circuit 275kV line that was constructed between Stanwell and Broadsound in 2002. Drivers of load growth in this region have changed since the previous proposal. Load growth can now result from electrification, as well as mining expansion.
  - b. This project is in addition to other potential augmentations required to increase transfer capacity between regions.
11. What is the accuracy of cost estimation for contingent projects?
  - a. Costs presented are indicative only and will be subject to the Regulatory Investment Test for Transmission (RIT-T) if and when triggered.
  - b. Accuracy of current estimates depends on individual project maturity.

12. Are state and federal elections in 2027-32 likely to have a bearing on contingent projects and is Mt Rawdon Pumped Hydro Energy Storage (PHES) government owned?
  - a. State, federal and local elections in 2028 may impact our project pipeline.
  - b. Mt Rawdon is a project being delivered by the private sector. The Queensland Government has expressed support for smaller, privately-owned PHES.
13. Do these proposed contingent projects require new easements?
  - a. Some of these projects are likely to require widening of existing easements, although some new easements may be required, so that existing lines can remain in service during construction.
14. How does Powerlink identify contingent projects and how commonly are they triggered?
  - a. Our ex-ante capital expenditure forecast reflects our central forecast for load growth and contingent projects are identified to address other plausible scenarios.
  - b. Contingent projects enable us to manage uncertainty in the forecast, without committing any investment before it is needed.
  - c. The most recent contingent project implemented by Powerlink was during the 2007-12 regulatory period.

### 2.3 Potential impact for customers

Nina Zhuang, Finance and Modelling Lead, Revenue Reset, presented the projected changes in the RAB, Maximum Allowed Revenue (MAR), and customer bills, which would result from the contingent projects and Gladstone PTI, if all were to proceed in the 2027-32 regulatory period. It was noted that Copperstring, Borumba and QNI Connect are not included because they are not currently subject to PTI or contingent project investment pathways and so are not expected to impact the RAB in 2027-32. Not all slides have been published due to the uncertainty around the need for the projects and resulting impacts.

#### *Discussion, questions and responses*

15. Does this forecast assume the capital overspend in the current period is allowed by the AER?
  - a. Yes, we have assumed all expenditure in the current period is carried forward in the RAB and the associated Capital Expenditure Sharing Scheme penalty has been included in MAR calculation.

## 3. Customer survey and Engagement Plan update

Gerard Reilly, General Manager Communications, Customer and Engagement, outlined proposed changes to the engagement scope based on RPRG discussions to date. There were comments on the proposed move of the Environmental Offset Costs, considering easements associated with potential contingent projects, and Powerlink committed to adapt the scope based on this feedback.

He also shared an update on our engagement with directly connected and commercial and industrial (C&I) customers and presented proposed changes to the engagement scope diagram.

The request for Expression of Interest (EOI), has reached more than 600 C&I customers via EUAA and Energy Queensland networks. There have been 11 responses to date. Our engagement questions have been sent to Powerlink's directly connected load customers in addition to the 11 nominated respondents.

RPRG members requested Powerlink present an update on actions arising at each meeting.

## Actions Arising

	Action	Responsible person	Due
1.6	Include the potential impacts on the maximum allowed revenue arising from large capital projects that are outside of the revenue determination process	Roger Smith	Complete
2.2	Update Engagement Plan including change of participation level for social performance and feedback on the forward meeting schedule	Jessica Purdy	Complete
3.2	Provide a view of the likely value of approved projects anticipated at the time of submitting the Revised Revenue Proposal	Aidan Lawlor	22/05/25 defer to 21/08/25
3.3	Provide commentary on the guiding principles for option selection and the risk of change to forecasts	Aidan Lawlor	11/06/25 defer to 21/08/25
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	Aidan Lawlor	11/06/25 defer to 21/08/25
4.2	Add Contingent and PTI projects to RPRG agenda for June	Jessica Purdy	Complete
4.3	Confirm opex base year, step changes, trend and insurance are included in RPRG agendas for further coverage	Jessica Purdy	Complete
4.4	Present a timeline of the ex-post review process for capex overspend in the current period	Roger Smith	21/08/2025
4.5	Provide an overview sheet to explain application of the EBSS	Michelle Beavis	30/06/2025 defer to 16/07/2025
4.6	Provide information on changing costs of typical project components	Aidan Lawlor	21/08/2025
4.7	Update and circulate system strength overview sheet	Sally Taylor	Complete
4.8	Propose alternative smoothing profiles for price path	Nina Zhuang	16/07/2025
5.1	Schedule overview of Operational Technology strategy and forecast for a future RPRG meeting	Jessica Purdy	16/07/2025
5.2	Include actions list in future meeting slides	Jessica Purdy	16/07/2025