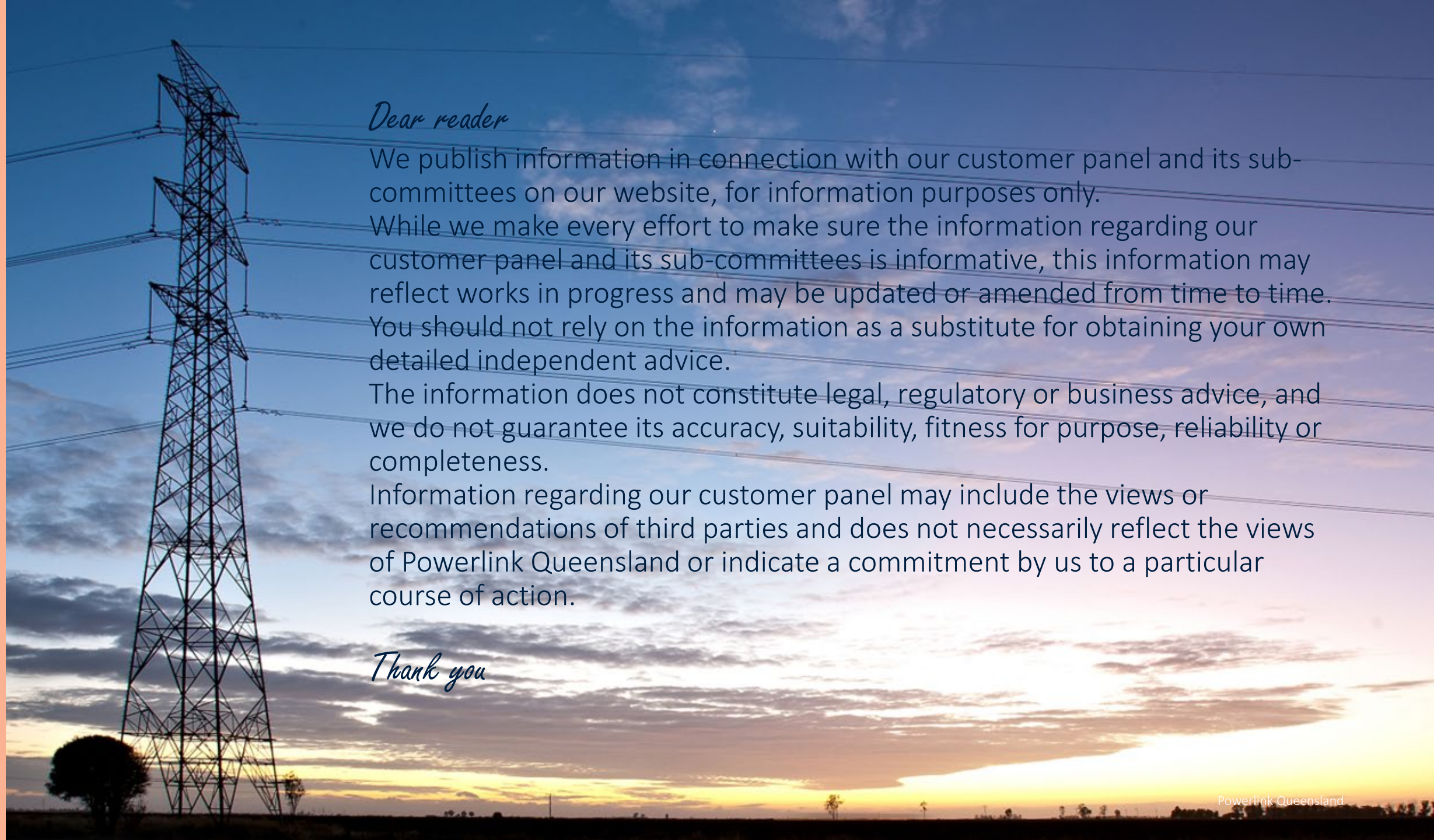


Dear reader

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

Powerlink
2027-32 Revenue Proposal

Revenue Proposal Reference Group Meeting

21 August 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.

Meeting Purpose

- Review engagement outcomes and next steps for formal engagement evaluation
- Provide an update on depreciation approach for the draft Revenue Proposal
- Close outstanding actions
- Seek feedback on application of CESS

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

Agenda

Item	Duration
Engagement check-in	30 minutes
Depreciation	10 minutes
Review of actions outstanding	40 minutes
Alternative approach to CESS carryover	20 minutes

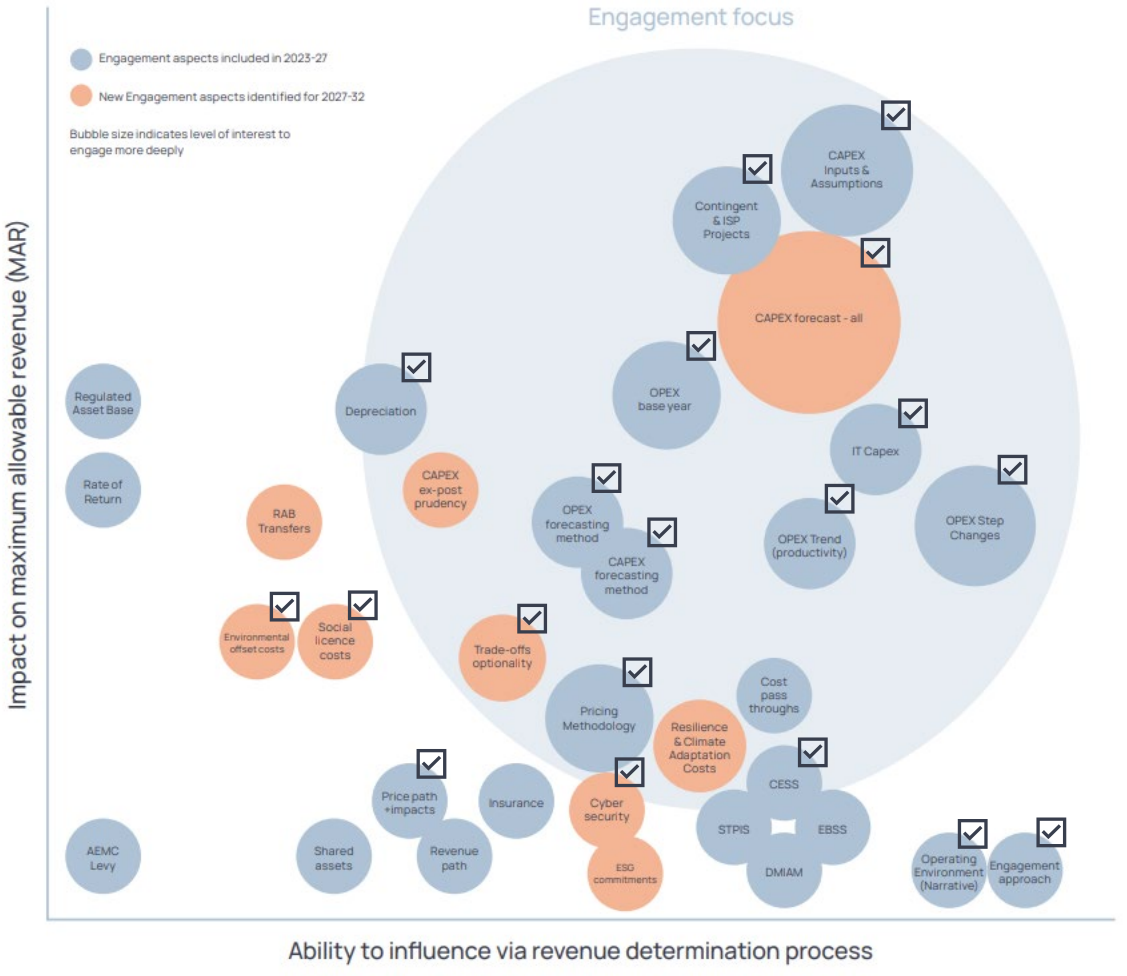
Engagement check-in

Gerard Reilly, GM Customer, Communications and Engagement

Engagement outcomes to date

- Engagement scope
- Engagement breadth
- Engagement schedule
- Capable of acceptance criteria
- Capital Expenditure forecast methodology
- Operating Expenditure forecast methodology
- Price path smoothing

SEE HANDOUT



☑ COMMENCED AS OF AUGUST 2025

Engagement evaluation

Good engagement evaluation should:

- Occur throughout a process (not just at the end)
- Use both informal and formal techniques

Informal	Formal
• Engagement check-ins • One-on-one debriefs	• Quality of information • Engaging at the appropriate level for influence • Overall satisfaction

Our plan is to circulate a formal survey to RPRG members in Nov/Dec 2025 and schedule 1:1 check ins

Engagement check-in

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?

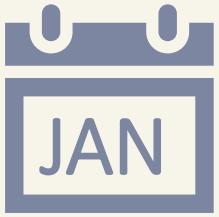
Upcoming meetings

Draft Revenue Proposal

Incentive schemes (DMIAM, EBSS, CESS and STPIS)
Next Generation Network Operations, Future Grid Operations and Operational Technology Strategy
Draft Revenue Proposal feedback

Insurance
Cost pass throughs
Non-network capital

Engagement evaluation
Overview of Revenue Proposal



Reschedule to February

Agenda to be confirmed

Depreciation

Nina Zhuang, Finance and Modelling Lead

What is depreciation?

Depreciation enables investors to recover the cost of capital investment over time

The Rules require that

- Depreciation must be calculated on the value of the opening Regulatory Asset Base (RAB) of the year
- Depreciation schedule must reflect the nature and economic life of assets
- The total depreciation over the asset's life must equal the initial RAB value
- Asset lives, depreciation methods, and rates align with those set prospectively in the transmission determination for the period.

No change to depreciation approach

We propose to continue the depreciation approach from the 2022-27 regulatory period

- Apply forecast depreciation to roll forward and establish the opening RAB as at 1 July 2027
- Use the year-by-year tracking method for calculating depreciation
- Maintain existing asset classes and asset lives

We also intend to use forecast depreciation to establish our RAB as at 1 July 2032

- In line with AER's Framework and Approach (July 2025).

Intend not to apply accelerated depreciation

We do not intend to apply accelerated depreciation in the 2027-32 regulatory period to minimise short-term impacts on customers

- Accelerated depreciation allows earlier cost recovery for Powerlink – but higher prices for consumers in the short term
- Some of Powerlink's assets meet the criteria for accelerated depreciation – but we propose to maintain the current approach to support price stability.

Review of actions

Actions outstanding

Action		Responsible person	Due	Defer to
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	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	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	21/08/25
4.4	Present a timeline of the ex-post review process for capex overspend in the current period	Roger Smith	21/08/25	
4.6	Provide information on changing costs of typical project components	Aidan Lawlor	21/08/25	
5.3	Provide post-implementation reviews (PIRs) for IT investments to demonstrate efficiency gains and benefits realised in the current period	Simon Hendry	12/11/25	
6.1	Provide the Energy Queensland response to adopting locational charges based on peak demand	Sally Taylor	Complete	
6.2	Provide an update and learnings on the outcome of productivity initiatives identified in the 2023-27 Revenue Proposal - how have these outcomes influenced the 2027-32 Revenue Proposal?	Michelle Beavis	17/09/25	
6.4	Propose timeframe for the RPRG to respond to the draft Revenue Proposal	Roger Smith	17/09/25	

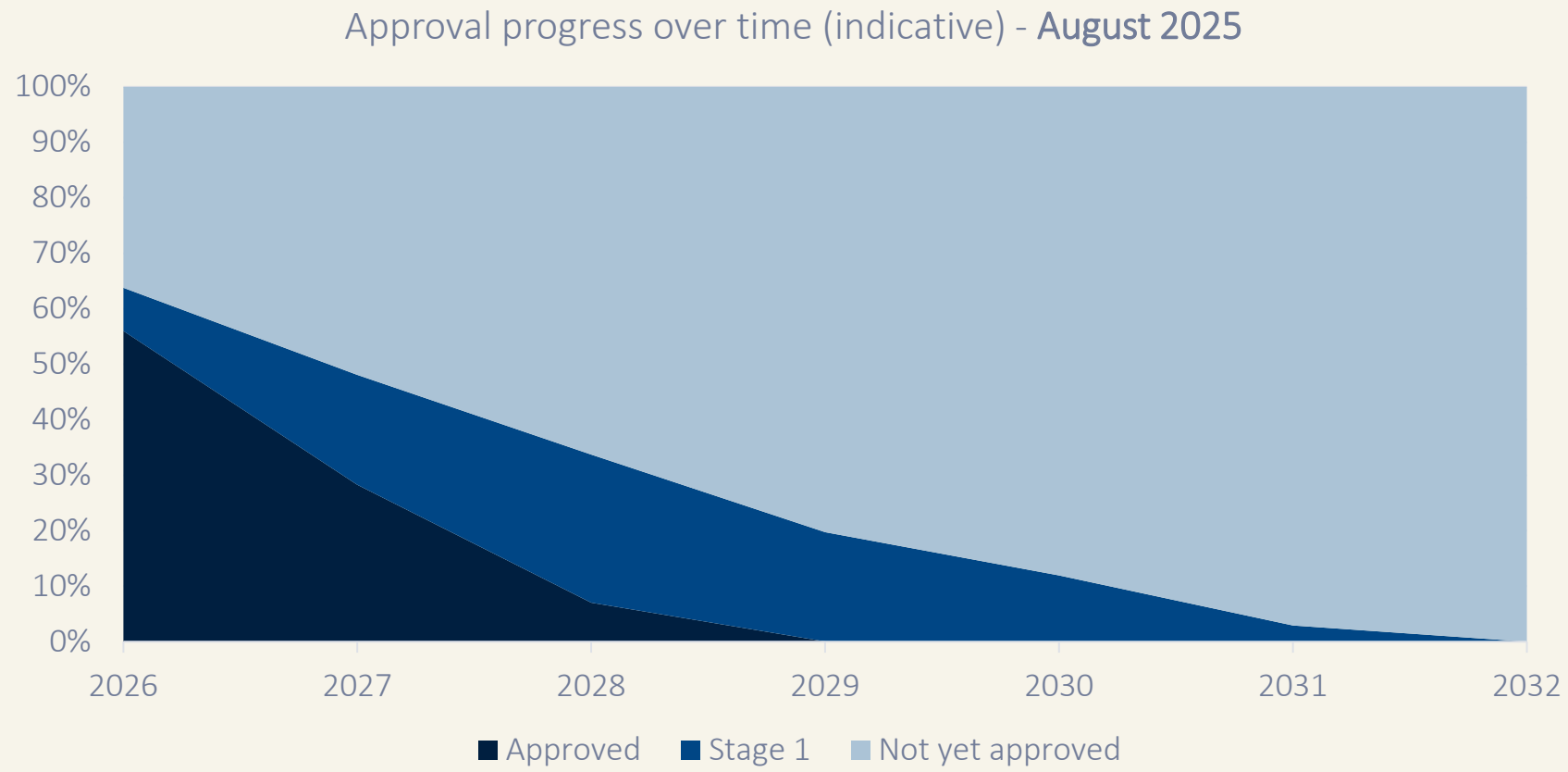
Action 6.4

Propose timeframe for the RPRG to respond to the draft Revenue Proposal

- We intend to publish the draft Revenue Proposal on **Friday September 12**
- The draft will include all chapters of the Revenue Proposal and examples of supporting information – together with a customer overview
- Feedback on the draft will close **Friday October 10**

Action 3.2

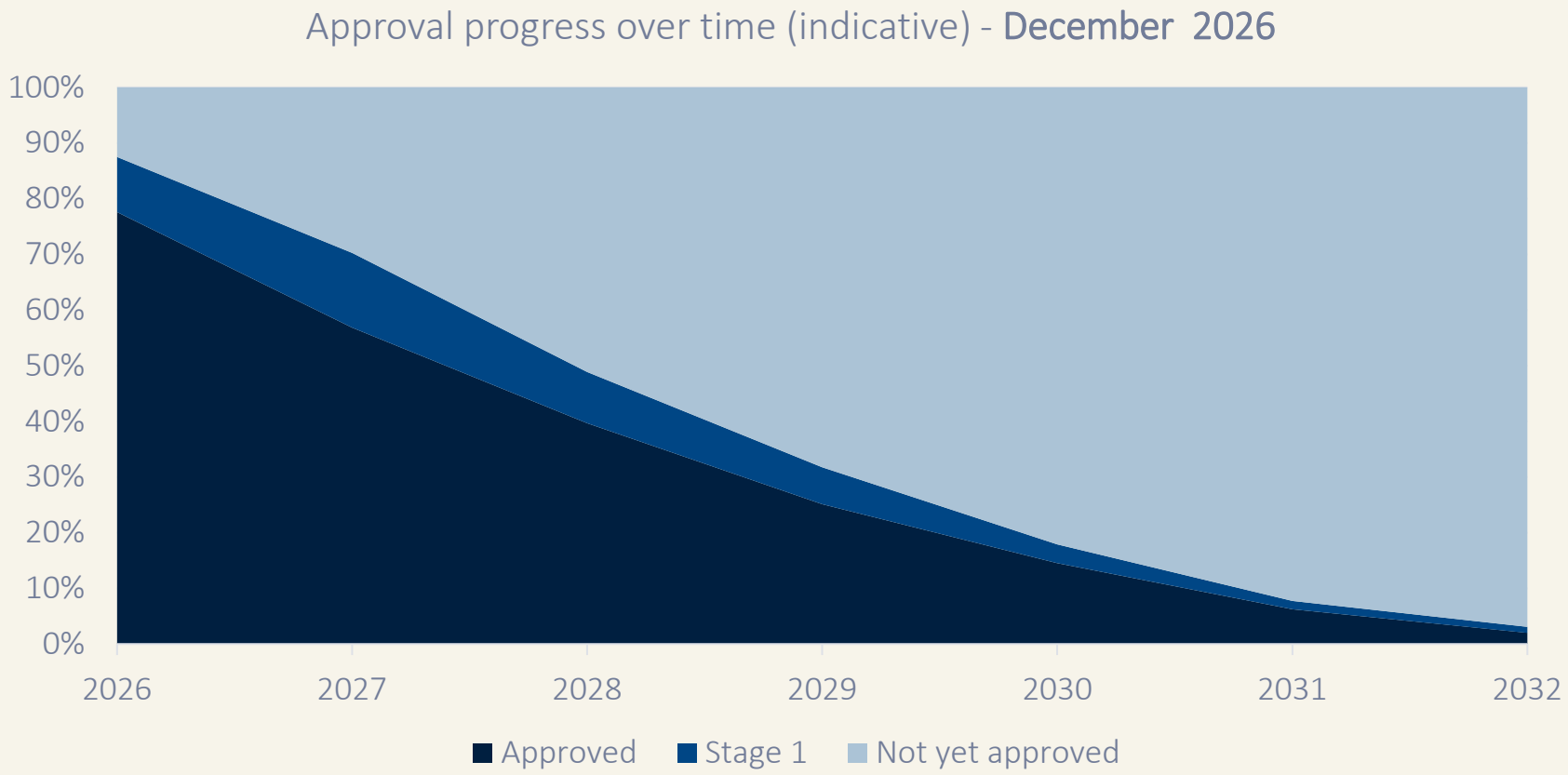
Provide a view of the likely value of approved projects anticipated at the time of submitting the Revised Revenue Proposal



Indicative

Action 3.2

Provide a view of the likely value of approved projects anticipated at the time of submitting the Revised Revenue Proposal



Indicative

Action 3.3

Provide commentary on the guiding principles for option selection and the risk of change to forecasts

Reinvestment capex comprises three main categories:

Line refits

Secondary systems replacement

Primary plant replacement

Line refits

Investment decision approach for assessing options

- Implement findings of Asset Reinvestment Review
- Option of single upfront intervention against staged interventions over multiple periods
- We will progress the most cost-effective solution

How are we approaching the revenue reset?

- In line with investment decision approach
- Considering new ‘geographic’ approach

Secondary systems replacement

Investment decision approach for assessing options

- Currently trialling an in-situ replacement - plan to deploy in-situ approach where appropriate
    - option of full replacement against in-situ replacement to be assessed
    - most cost-effective solution to be progressed

How are we approaching the revenue reset?

- Completed an engineering assessment on each site
- Identified a most likely option (either in-situ or full replacement)
- Estimated on that basis for our forecast

Primary plant replacement

Investment decision approach for assessing options

- Selective approach mostly used for primary equipment replacement
- Considers enduring need

How are we approaching the revenue reset?

- Similar to investment decision approach

Action 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

- We have experienced cost increases across our capital expenditure program – especially ‘brownfield’ rebuilds
- Changes generally align with increased cost inputs and changed delivery approach (outages / resources)
- Minor changes to scope may be incorporated in delivery
- When costs increase on the preferred option, the economic assessment is routinely repeated

- Kamerunga rebuild is an example of a project whereby the preferred option identified in the current regulatory period has changed, resulting in a material cost increase.

Kamerunga substation rebuild

Kamerunga Substation is a major transmission node in Northern Queensland, located near Cairns

- RIT-T completed in 2019, with two options presented for brownfield replacement - outdoor air insulated switchgear (AIS) and indoor gas insulated switchgear (GIS)
- AIS option approved for completion by December 2022 – $35.5 million
- Brownfield replacement subsequently found to be not technically feasible
    - Access arrangements within residential area
    - Staging of works to maintain reliable supply and Barron Gorge power station connection
- A revised strategy for the replacement of Kamerunga Substation on a new site was developed and a revised RIT-T commenced in June 2024
- Estimate now in the order of $123 million and plan to commence work on site in March 2027
- Customer Panel engaged when the scale of the impacts were understood.

Action 4.4

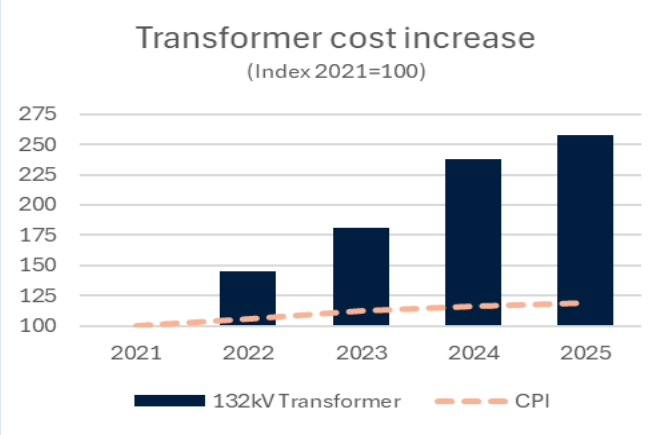
Present a timeline of the ex-post review process for capex overspend in the current period

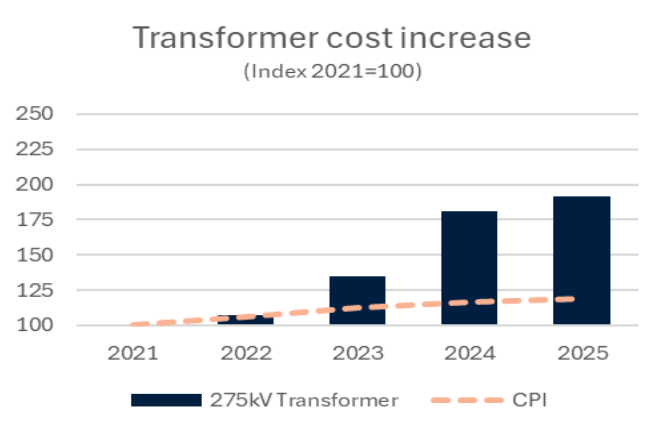
- We will engage further with the AER on a potential ex-post review of capital expenditure for FY21-25 as our accounts are finalised.
- If required, we expect the formal AER review process to commence after lodgement of our Revenue Proposal with the AER by end January 2026.

Action 4.6

Provide information on changing costs of typical project components

Transformers



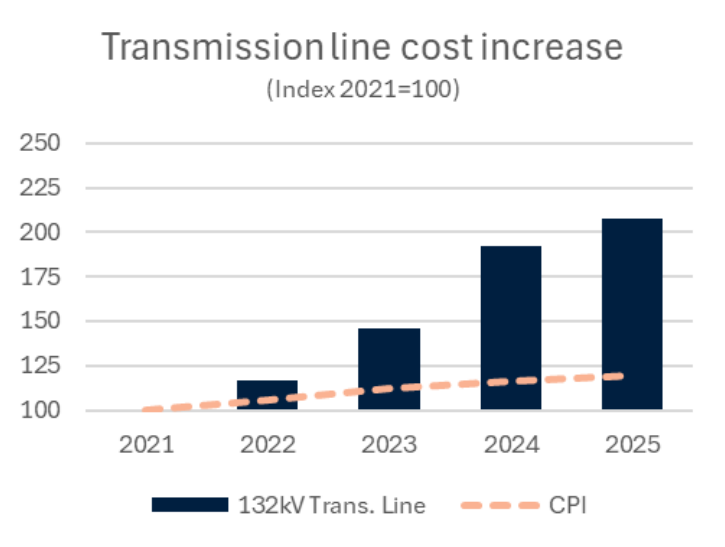


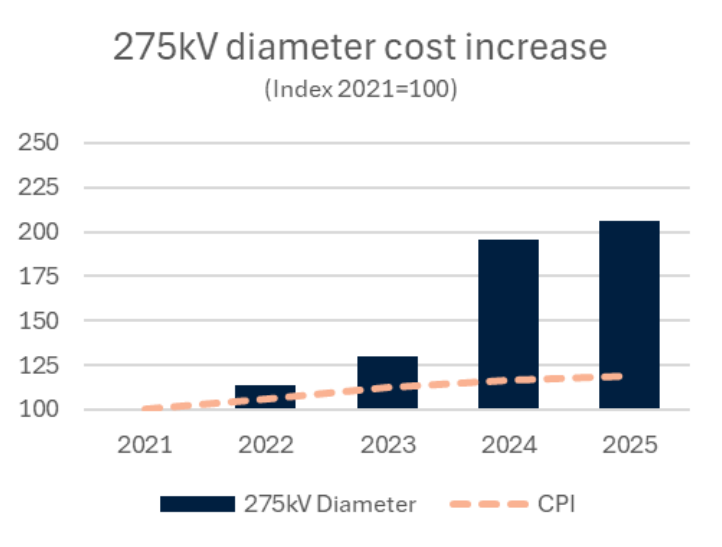
- The US Bureau of Labor Statistics track the producer price indices of a range of transmission related equipment
- Unprecedented price increase over the last four years – equivalent to the cumulative price increase over the preceding 40 years
- Cost impacts are borne out by Powerlink's recent experience

Action 4.6

Provide information on changing costs of typical project components

Project composites



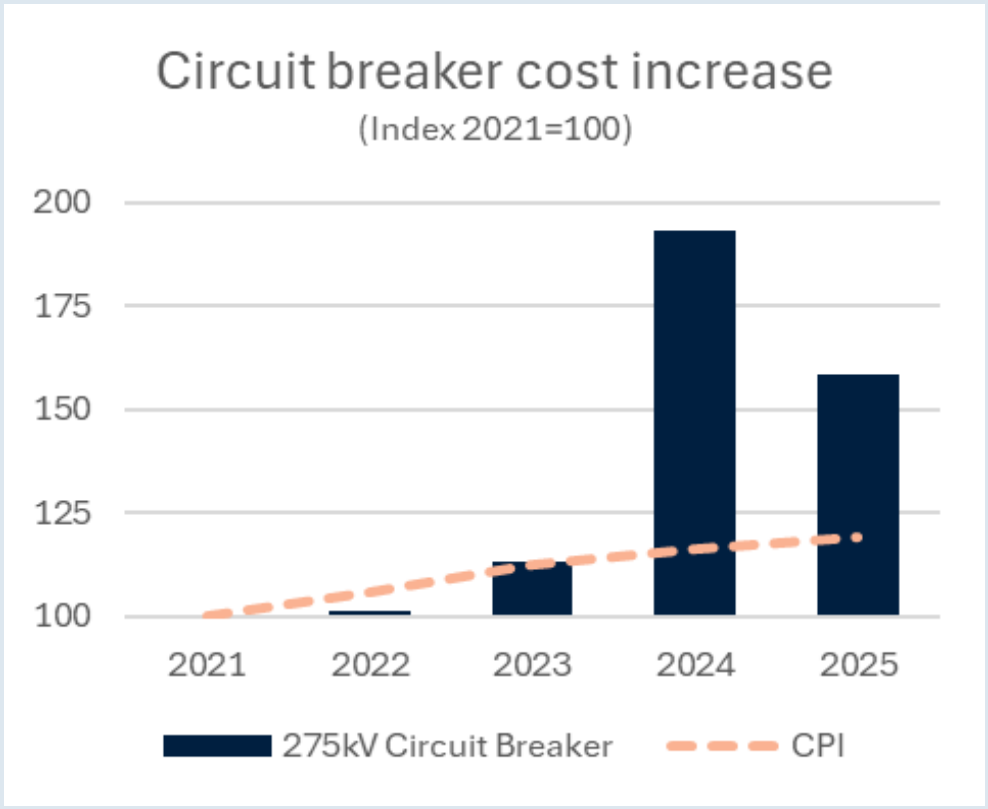


- Composite cost metrics, including internal and external labour costs, illustrate the impacts of cost increases on the delivery of transmission construction
- Cost of delivering transmission assets has effectively doubled in the last four years

Action 4.6

Provide information on changing costs of typical project components

275kV Circuit Breaker



- On average, equipment costs have doubled in the four years since 2021
- Powerlink has reduced the cost increase for 275kV circuit breakers by developing alternative supply options
- This was achieved through proactive engagement with suppliers and assurance of new manufacturing facilities in lower cost location.

Alternative Approach to CESS Carryover

Roger Smith, Director Revenue Reset

Alternative approach to CESS carryover

Restate the AER's allowance for the 2022-27 regulatory period, allowing for a more representative assessment of additional expenditure within Powerlink's control

- Separate allowance by asset type
- Apply actual increases to the specific asset type cost inputs
- Update for prevailing inflation (consumer price index) and wage growth (wage price indices)

We consider this approach has regard for the circumstances of Powerlink in the 2022-27 regulatory period

What are your thoughts?