Overview

Draft Revenue Proposal 2027-32

September 2025

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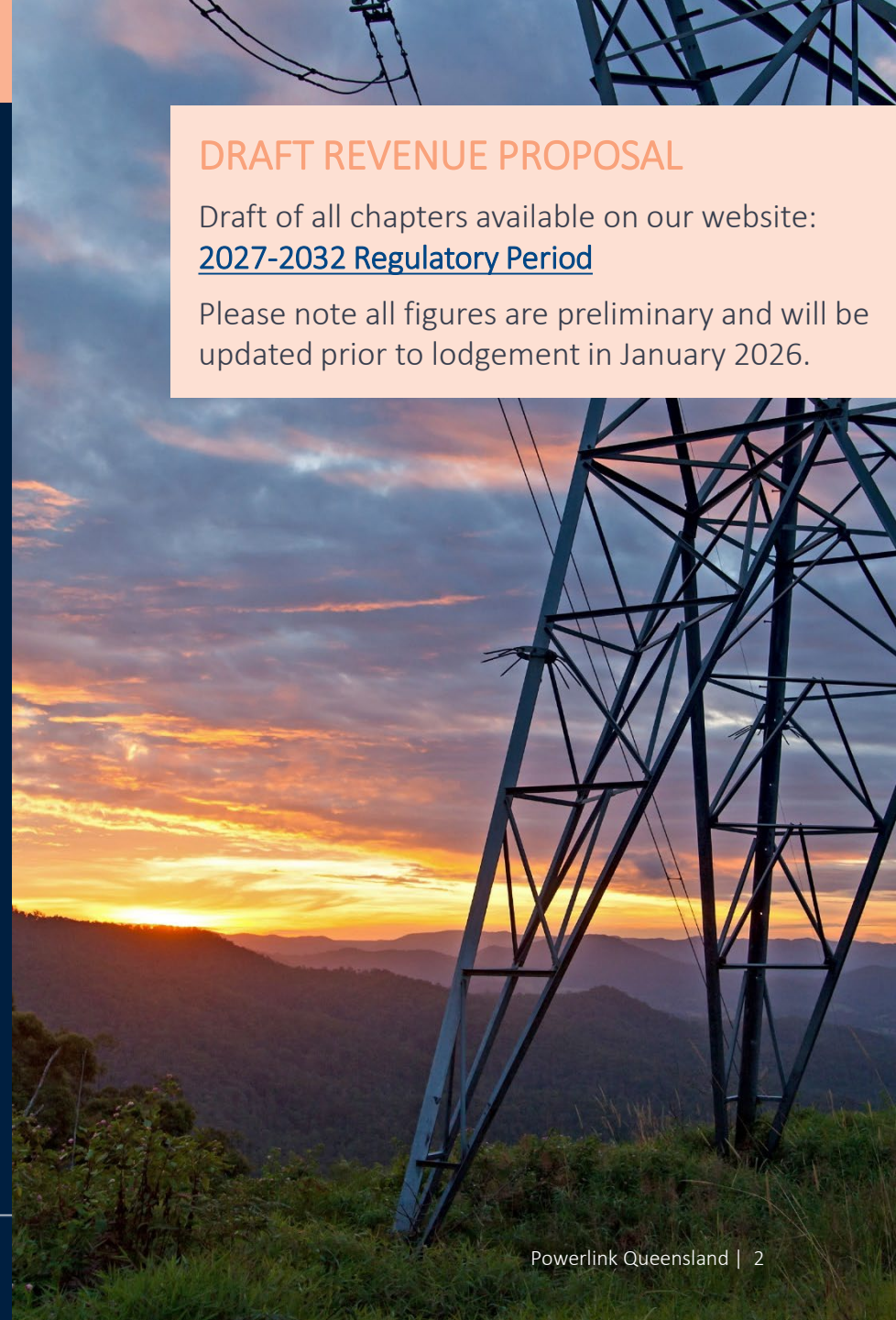
DRAFT REVENUE PROPOSAL

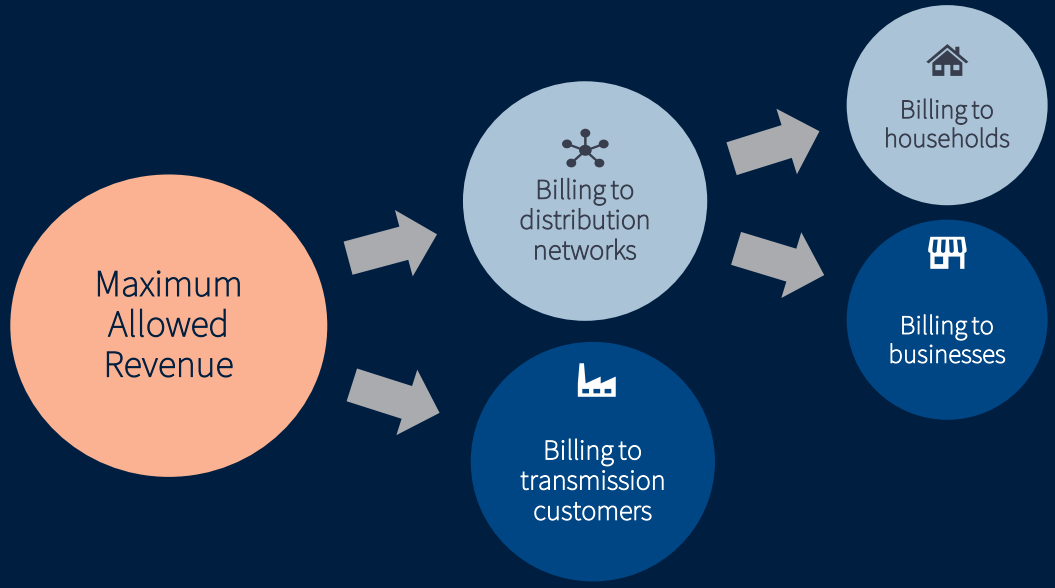
Draft of all chapters available on our website:
2027-2032 Regulatory Period

Please note all figures are preliminary and will be updated prior to lodgement in January 2026.



Powerlink Queensland

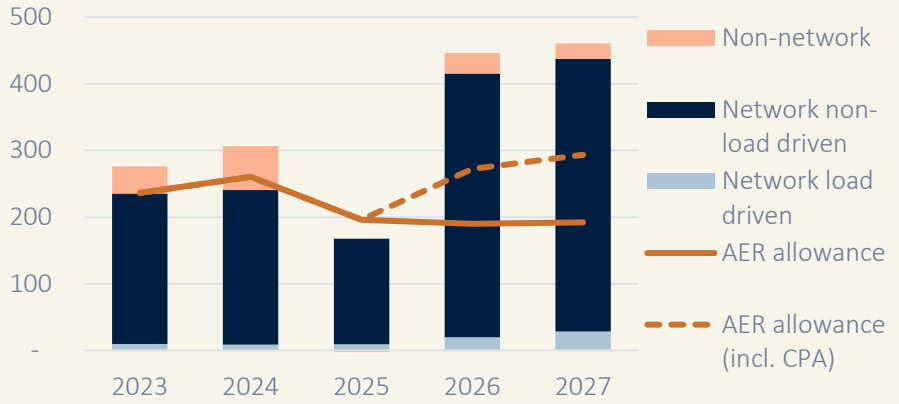
- **Queensland Government owned** – one of Australia's leading transmission network companies.
- We own, develop, operate and maintain the **high voltage transmission** network, providing electricity to more than **five million Queenslanders** and **241,000 businesses**.
- Our network runs **1,700km** from north of Cairns to the New South Wales border, comprising over **15,000** circuit kilometres of transmission lines and **154** substations.
- Our **Maximum Allowed Revenue** for prescribed transmission services is recovered from customers, with transmission charges making up around 7% of an average bill in 2024.



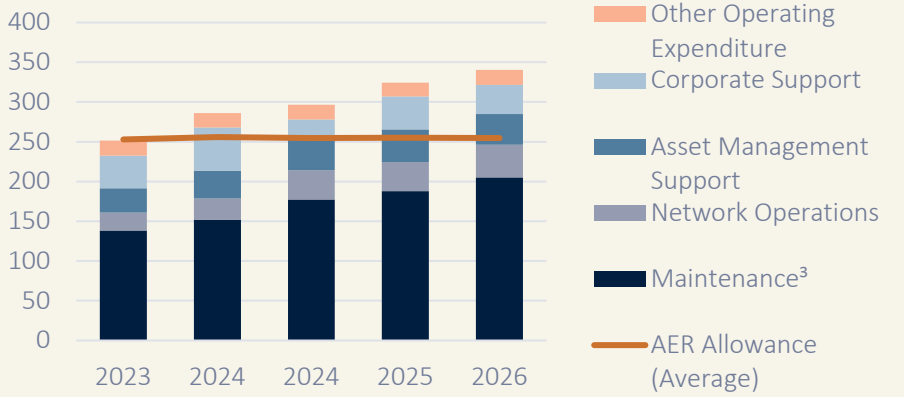
Business and operating environment

The operating environment has changed significantly since our last Revenue Proposal and forecast expenditure in the 2023-27 regulatory period is higher than the AER's allowance

Total[1] capital expenditure ($million real, 2027)



Total[1] operating expenditure ($million real, 2027)



KEY HIGHLIGHTS

Key elements of Powerlink's business and operating environment in 2027-32:

- Customers and community
- Costs
- Complexity

Affordability remains a key concern for **customers**. Customers expect services to be affordable and offer predictability and value for money, and this is a key focus for Powerlink.

Meeting the expectations of **communities** and other stakeholders is critical to efficient delivery. We are aligning to changing requirements across government policy, regulatory frameworks and best practice guidelines.

Both global and local factors place significant pressure on delivery **costs**. The scale of price increase over the last four years for some transmission equipment is equivalent to the cumulative increase over the preceding 40 years.

The 2024 Working at Powerlink Agreement reflects increasing demand for skilled labour in the energy sector and is critical to enable Powerlink in securing, and retaining, the resources to deliver our capital and operating objectives.

The transmission system is becoming more **complex** to operate due to changes in network demand and connectivity. Managing the security of the transmission network under variable conditions remains a key focus in the 2027-32 regulatory period.

For more detail see Chapters 2 and 4 of the Draft Revenue Proposal

[1]Total = actual + forecast
CPA = Contingent Project Application

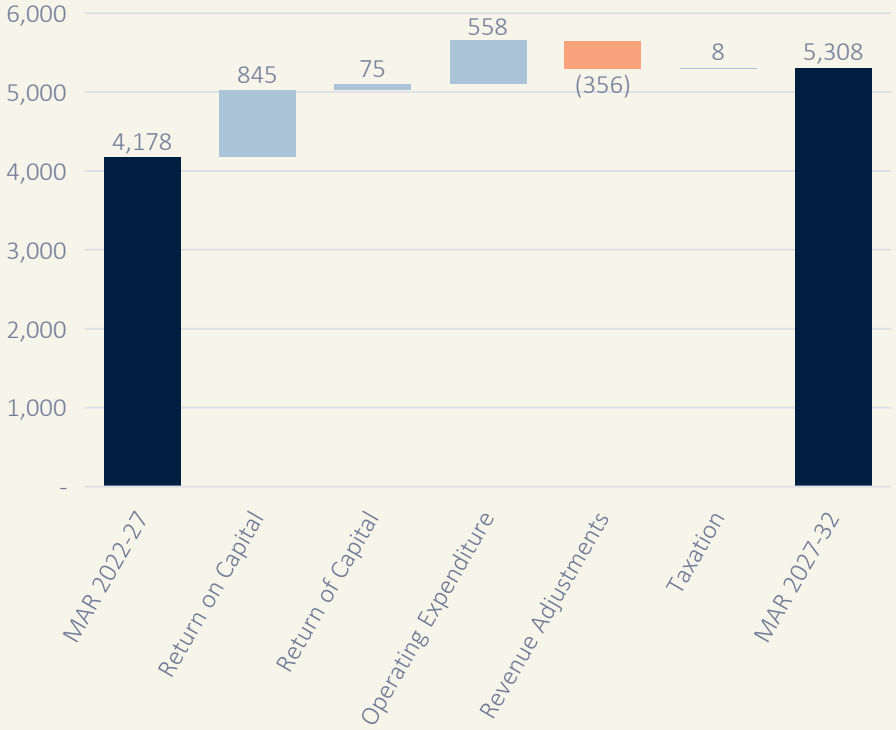
[2]Non-network = Business IT + Support the Business (net of disposals)
[3]Maintenance = Field Maintenance + Operational Refurbishment + Maintenance Support

Revenue and price impact

Increased expenditure and interest rate environment result in an estimated annual price increase of 8% in the first year and 3% per year for the remainder of the 2027-32 period[1]

Maximum Allowed Revenue (MAR) = Return on Capital + Return of Capital (Depreciation) + Operating Expenditure ± Revenue Adjustments[2] and Taxation

Revenue building blocks ($million real, 2027)



Return on Capital

Reflects a significant shift in the interest rate environment since our last Revenue Proposal.

Depreciation

Reflects additional capital expenditure to deliver safe, secure, reliable and cost-effective services.

Operating Expenditure

Growth reflects changes in our business and operating environment.

Revenue Adjustments

Reflects AER's standard incentive approach, but we have also proposed an alternative approach that better reflects actual cost escalations.

KEY HIGHLIGHTS

- **Forecast unsmoothed MAR** for the 2027-32 regulatory period is **$5,308.1 million**, which is $1,130.2 million (27%) higher than our 2022-27 regulatory period in real terms.
- Increases are partly offset by negative revenue adjustments under the AER's Capital Expenditure Sharing Scheme (CESS) and Efficiency Benefit Sharing Scheme (EBSS).

Estimated impact on the transmission component of an average annual electricity bill in 2028 in nominal terms

+$11 Residential

+$22 Small business

For more detail see Chapter 11 of the Draft Revenue Proposal

[1]$nominal
[2]Adjustments may include CESS and EBSS

Forecast capital expenditure

Our forecast capital expenditure is almost 70% higher than forecast expenditure in the current regulatory period, primarily due to non-load driven asset reinvestment

Forecast demand

Energy demand from our 2024 Transmission Annual Planning Report (TAPR) forecast shows steady average annual growth in the 2027-32 regulatory period.[1]

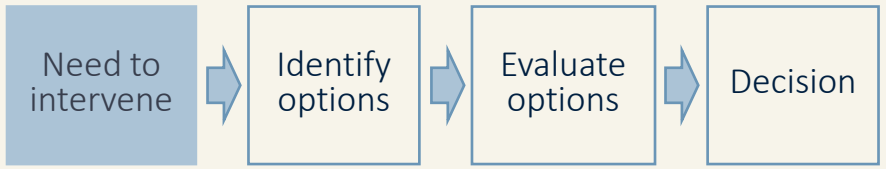
Deliverability

Our forecast has been tested and adjusted using top-down methods that considered our historical capital expenditure trends over the last 10 years. We have taken significant steps to ensure we have the program management capability and future resource capacity to deliver the volume of work.

Asset Reinvestment Review

We have implemented the key recommendations of the Asset Reinvestment Review and identified further improvements which have reduced the number of structures requiring intervention in 2027-32.

Powerlink's asset reinvestment process:

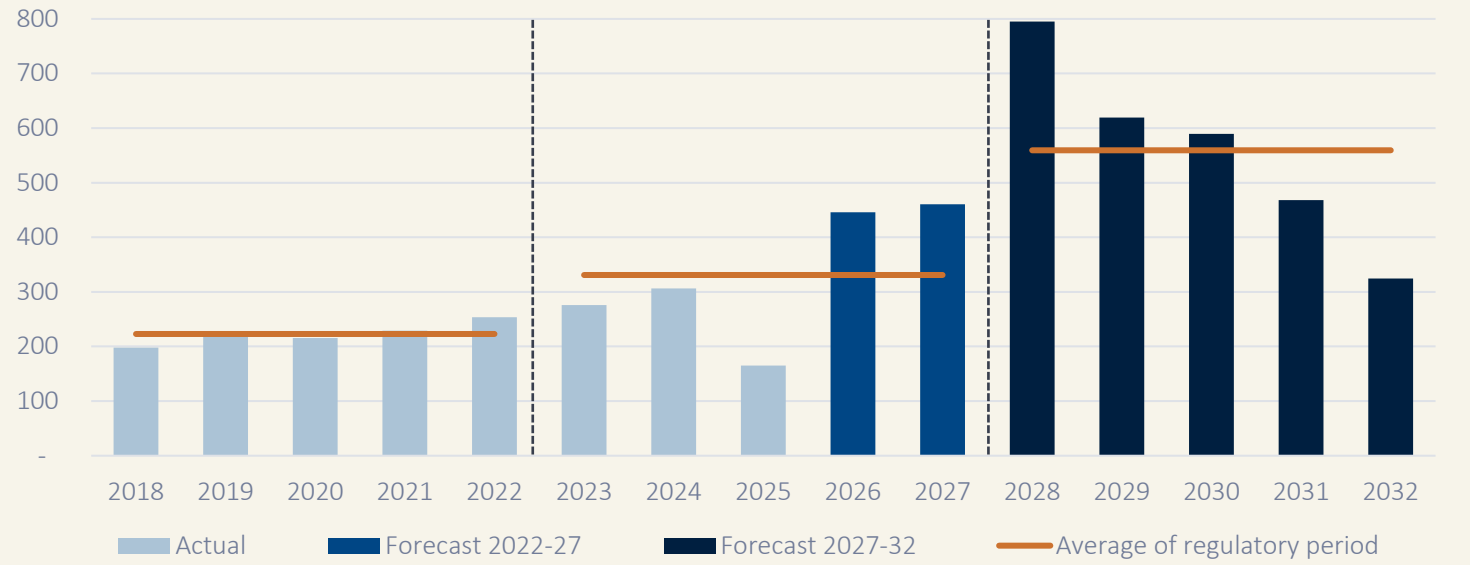


KEY HIGHLIGHTS

Our **forecast capital expenditure** for the 2027-32 regulatory period is **$2,796.7 million**, which is $1,142.8 million higher than the actual/forecast expenditure for the 2022-27 regulatory period.

Our hybrid forecasting approach integrates top-down and bottom-up methods, with project-specific justification provided for at least 80% of our forecast capital expenditure.

Total capital expenditure ($million real, 2027)

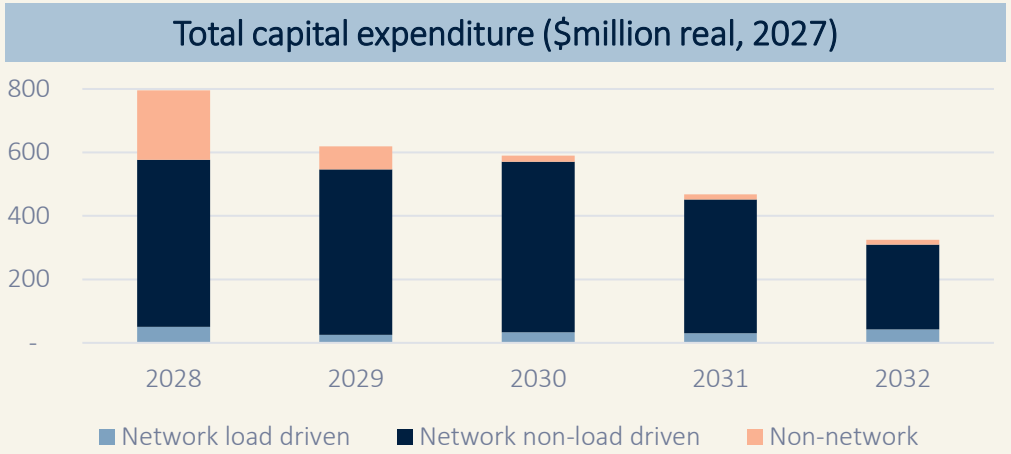


For more detail see Chapter 5 of the Draft Revenue Proposal

[1]2025 TAPR expected to be published October 2025

Forecast capital expenditure

Replacement of existing assets and investment in synchronous condensers make up almost 80% of our forecast capital expenditure for 2027-32



KEY HIGHLIGHTS

Key drivers that underpin our forecast for the 2027-32 regulatory period:

- Reinvestment in the transmission network to maintain safety, security, reliability and quality of supply as our assets continue to age
- Our response to the changing use of electricity and our transmission network, and new obligations to provide system strength services
- Investment in the redevelopment of our Virginia complex and the development of a facility in Gladstone as we grow our regional workforce.

Load driven capital expenditure reflects a return to moderate growth in peak demand as households and industry sectors electrify.

Asset reinvestment accounts for more than **60%** of the total forecast, with the most significant driver being the risk-based replacement of substation secondary systems which protect and control our high voltage assets.

Installation of synchronous condensers will ensure availability of essential system services such as minimum levels of inertia and system strength for secure operation of the power system.

Investment in operational technologies will enhance real-time situational awareness and decision-making capabilities as complexity of the transmission network increases.

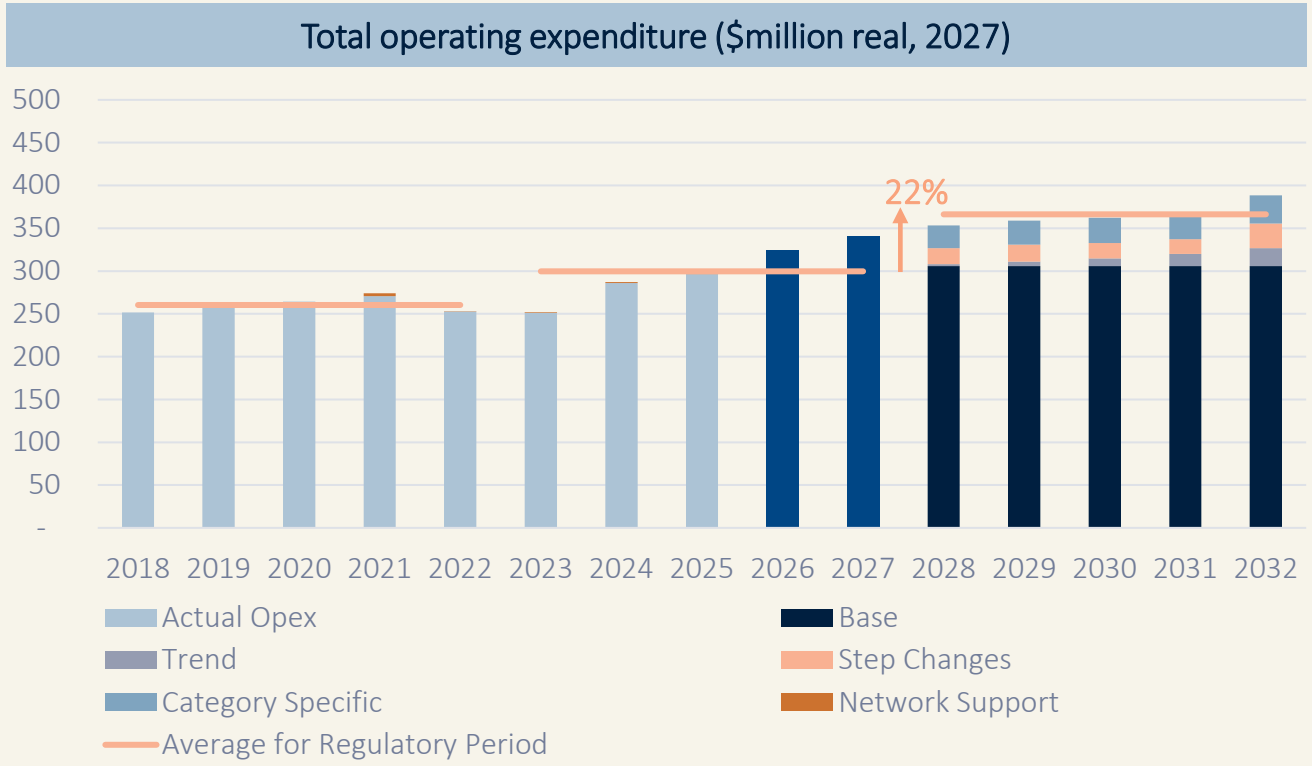
Non-network infrastructure includes facilities to accommodate centralised and regional workforce.

For more detail see Chapter 5 of the Draft Revenue Proposal

[1]Non-network = Business IT + Support the Business (net of disposals)

Forecast operating expenditure

Step changes account for $101.6 million growth in controllable operating expenditure in 2027-32



CATEGORY SPECIFIC

- ✓ Forecasts include insurance costs, Australian Energy Market Operator (AEMO) participant and cyber security fees and debt raising costs.

KEY HIGHLIGHTS

Our total **operating expenditure forecast** for the 2027-32 regulatory period is **$1,831.3** million, which is a $333 million (22%) increase from actual/forecast operating expenditure for the 2022-27 regulatory period.[1]

We have selected 2025/26 as our base year and included four **step changes** at a total of $101.6 million that reflect material costs not included in our base year.

STEP CHANGES

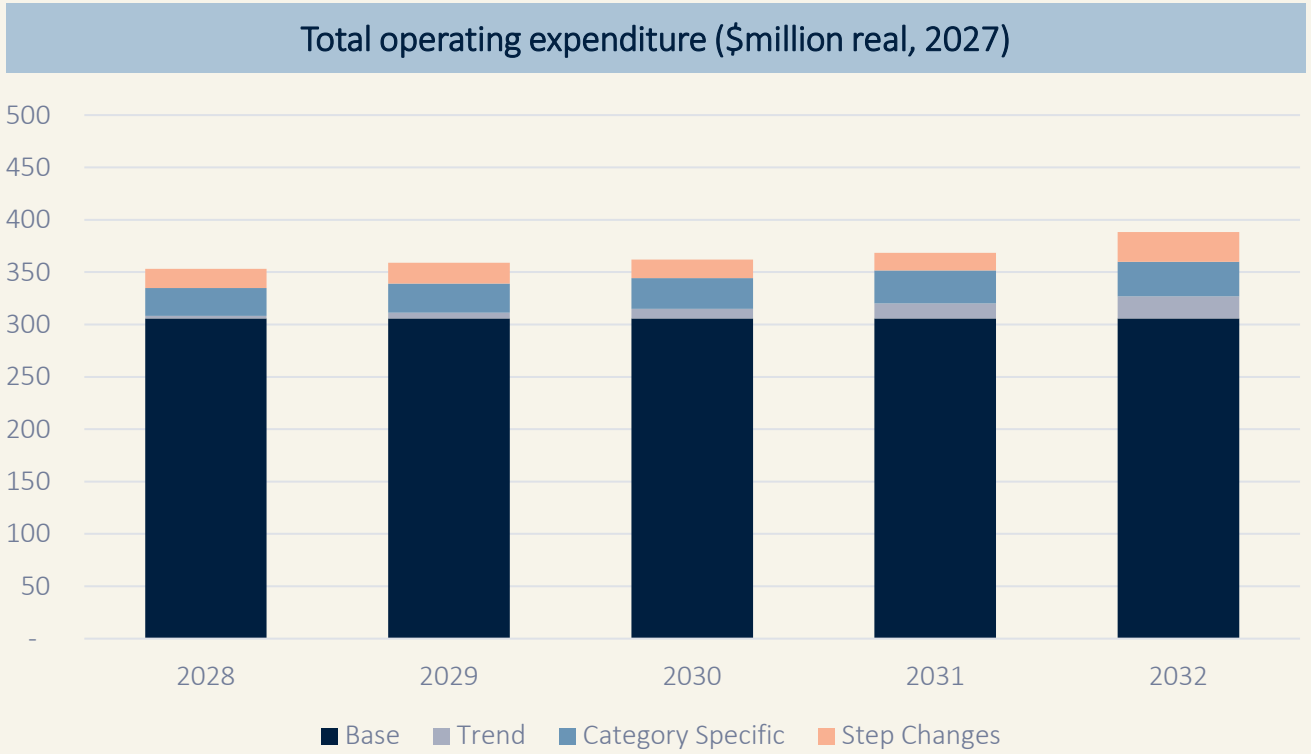
- ✓ Uplift physical security, to meet our obligations under the *Security of Critical Infrastructure Act (2018).*
- ✓ Maintain synchronous condensers, to ensure we meet our system security requirements.
- ✓ Transition to cloud-based computing solutions, in line with industry trends, and the appropriate accounting treatment for those costs.
- ✓ Address sole overnight control room operator risk, as supported by AEMO.

For more detail see Chapter 6 of the Draft Revenue Proposal

[1]Including debt raising costs

Forecast operating expenditure

Base year and rate of change reflect increased cost to deliver reliability and security of prescribed transmission services in 2027-32



Rate of change = Output change + Real price change − Productivity change

KEY HIGHLIGHTS

Base year 2025/26 is reflective of a typical year of operations and ongoing cost of maintaining our network in the 2027-32 regulatory period.

We applied a **rate of change** to our base year as per the AER's 2024 Expenditure Forecast Assessment Guideline for Electricity Transmission.

We have identified an alternative **output change** measure of transmission connected renewable energy supplied, which we consider better reflects the increasing complexity of operating the transmission network.

Our approach to **real price change** remains consistent with the expectation that input costs will increase in line with Consumer Price Index (CPI) and industry forecasts for Wage Price Index (WPI).

We have adopted the AER's latest **productivity change** forecast of the industry average productivity change for electricity transmission.

For more detail see Chapter 6 of the Draft Revenue Proposal

Regulatory Asset Base and Financial Inputs

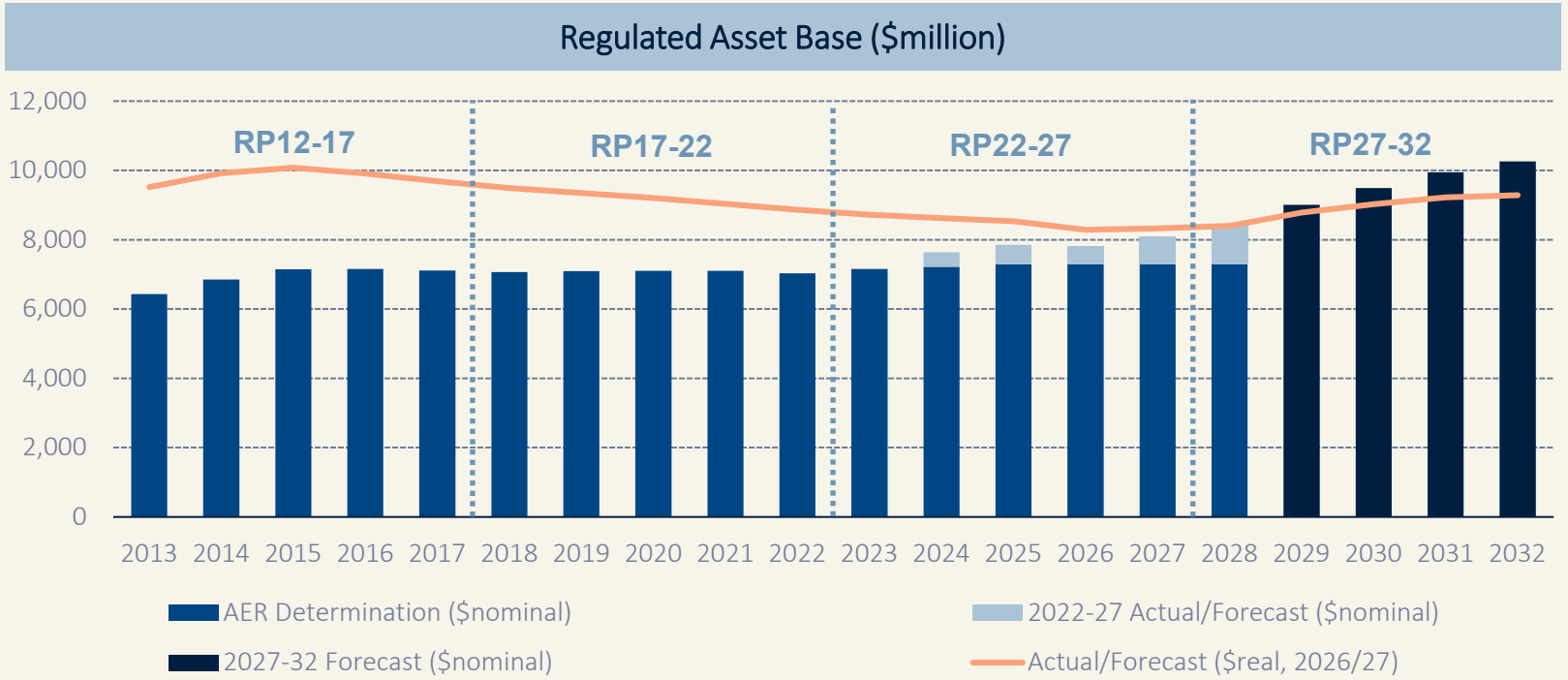
Our RAB is forecast to increase by 24% in the 2027-32 regulatory period, as utilities wage growth continues above the national average and other input cost increases moderate

Regulatory Asset Base (RAB)

Forecast to increase by $1,975.9 million ($nominal) over the 2027-32 regulatory period, primarily driven by reinvestment in ageing network assets.

Escalation rates

Utilities wages are forecast to increase by more than the national average over the forecast period. However, the rate of materials price growth appears to be moderating back towards long-term trend in line with CPI.



KEY HIGHLIGHTS

As inputs to forecast expenditure, we used:

- annual increase in the costs of materials based on the **Consumer Price Index (CPI)**
- average real annual growth rate of **1.1% for internal labour costs** and **1.1% for external labour costs** (above CPI) over the 2027-32 regulatory period.

Our **opening RAB** at 1 July 2027 is forecast to be **$8,402.4 million**, rising to **$10,378.3 million** by 2032 ($nominal).

We estimate a **rate of return (RoR) of 6.17%** for the first year of the 2027-32 regulatory period (2027/28), calculated using the Australian Energy Regulator's binding 2022 Rate of Return Instrument (RoRI).

For more detail see Chapters 7-9 of the Draft Revenue Proposal

Customer engagement

Our Revenue Proposal Reference Group (RPRG) directly influenced many aspects of our draft Revenue Proposal

Engagement scope

To ensure discussions focused on aspects that had a material impact and could be influenced through engagement.

Engagement breadth

Following RPRG feedback, Powerlink widened its engagement approach to seek the views of Queensland households, directly-connected and commercial and industrial loads.

Price path smoothing

Investigation into a more balanced alternative that reduces the initial price impact and smooths increases over the remainder of the regulatory period.

Capital Expenditure Sharing Scheme

RPRG feedback will inform Powerlink's decision on whether to progress this issue from the draft to the final Revenue Proposal.

Capable of acceptance criteria

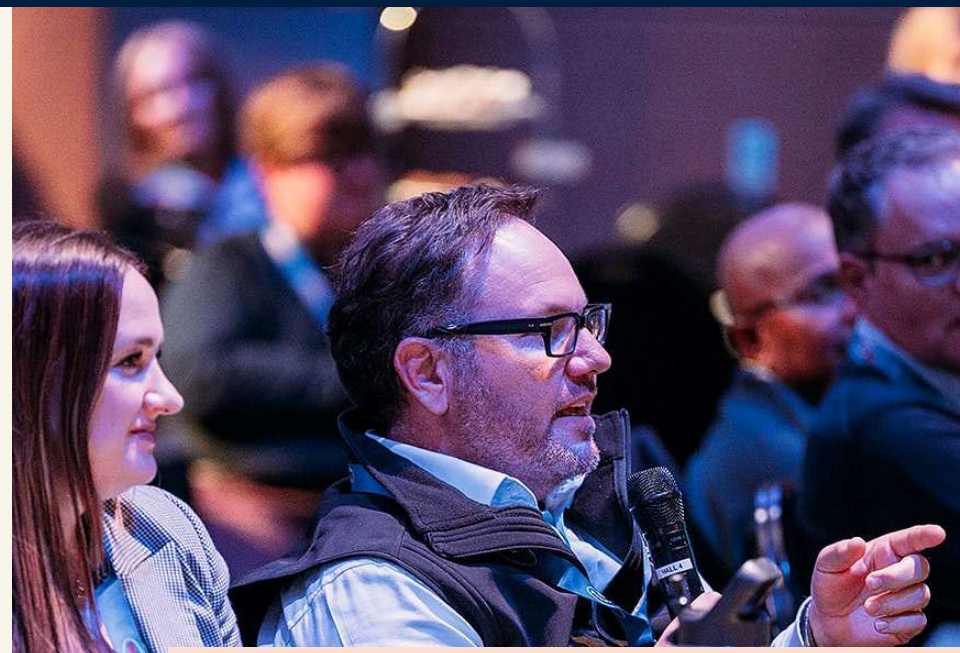
RPRG direct input on criteria to be used to determine if our Revenue Proposal is capable of acceptance.

Operating Expenditure forecast

Including selection of base year and alternative output growth measures to better reflect growing network complexity.

Capital Expenditure forecast

Including additional deep dive session into Powerlink's project identification and estimating processes.



KEY HIGHLIGHT

The RPRG is a subset of our business as usual Customer Panel and was established to engage more deeply and intensively on the Revenue Proposal. The group has met monthly since February 2025 and report back regularly to the wider Customer Panel.

For more detail see Chapter 3 of the Draft Revenue Proposal

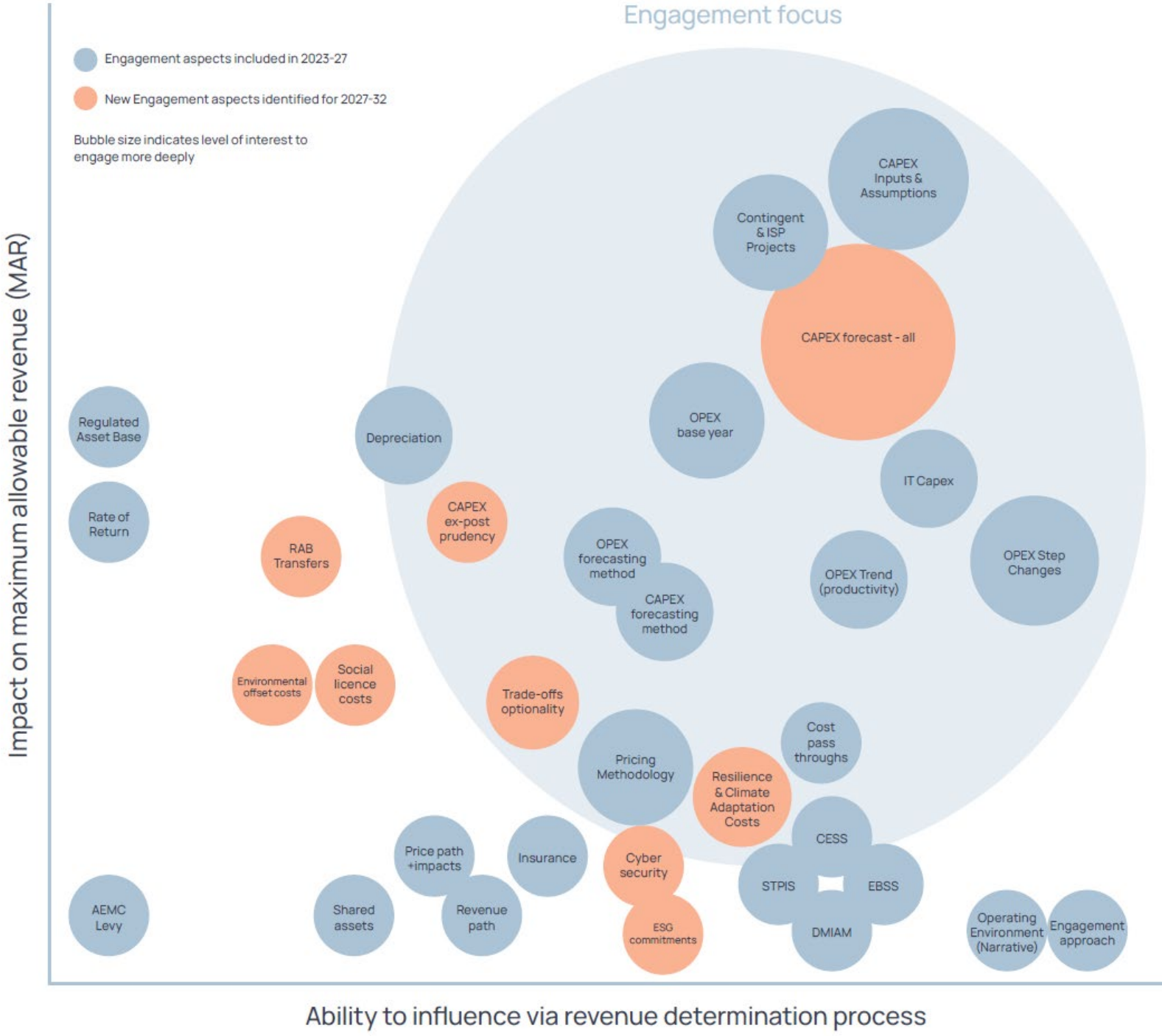
Customer engagement

We co-designed our engagement scope and schedule with our Customer Panel

The 2025 Queensland Household Energy Survey identified **reliability**, **affordability** and **climate resilience** as the most important benefits of investing in the power system

Dedicated engagement at our Central Queensland forum and online provided further insight on perspectives of different groups

We have reflected customer priorities throughout our draft Revenue Proposal, expenditure forecasts and engagement process



HOW TO SUBMIT

By email: revenueresetteam@powerlink.com.au

Web form: 2027-2032 Regulatory Period

How to respond and provide your feedback

A range of guiding questions is provided on the following slide. Please do not be constrained by these — we welcome input on any aspect of the draft Revenue Proposal, in any format.

All feedback will be considered in finalising the Revenue Proposal, which will be lodged with the Australian Energy Regulator (AER) in January 2026.[1] After lodgement, customers and stakeholders will also be able to provide submissions directly to the AER.

To allow time for consideration, feedback on our draft Revenue Proposal must be received by 5pm on 10 October 2025.

A note on capable of acceptance

Our goal is to deliver a Revenue Proposal that is capable of acceptance by our customers, the Australian Energy Regulator (AER) and Powerlink.

The AER's Better Resets Handbook identifies three engagement criteria for assessing a Revenue Proposal: ***nature of engagement, engagement breadth and depth*** and ***clearly evidenced impact***. In addition, the AER typically also refers to a proof point criterion, which assesses the reasonableness of expenditure forecasts. We propose the following as the proof point for capable of acceptance.

Reasonable opex and capex expenditure forecasts are proposed that reflect prevailing conditions and are*: underpinned by appropriate and transparent forecasting methodologies, supported by clear explanations as to why forecasts are different from historical expenditure, have regard to the AER's top-down analysis of expenditure and align with the AER's expectations for capex, opex and regulatory depreciation stated in the AER's Better Resets Handbook.*

[1]Written submissions and aggregated responses to our web form may be published on Powerlink's external website

Guiding questions

Capable of acceptance

1. In your view, is our draft Revenue Proposal capable of acceptance as an overall package? What are your reasons for this view?

Business and operating environment (Chapter 2)

2. Has Powerlink clearly explained the external factors that have influenced expenditure outcomes in the 2023-27 regulatory period?
3. Are there any other key operating environment factors Powerlink should address as part of its Revenue Proposal?

Customer engagement (Chapter 3)

4. Do you support Powerlink's engagement approach to date? What could we do better?
5. Have we demonstrated how engagement has influenced the draft Revenue Proposal?

Capital expenditure (Chapters 4-5)

6. Is the forecast capital expenditure underpinned by appropriate and transparent forecasting methodologies?
7. Is the forecast capital expenditure supported by clear explanations as to why forecasts are different from historical expenditure?
8. Do you support our intent to propose an alternative approach to the calculation of net carry-overs from application of the CESS? What are the reasons for your support or lack of support for this approach?

Operating expenditure (Chapters 4 and 6)

9. Is the forecast operating expenditure underpinned by appropriate and transparent forecasting methodologies?
10. Is the forecast operating expenditure supported by clear explanations as to why forecasts are different from historical expenditure?
11. Do you support our intent to propose an alternative output measure that better reflects the complexity of operating and maintaining a transmission system? What are the reasons for your support or lack of support for this approach?
12. Is our base year selection supported by clear and reasonable explanations as to why it has been proposed?

Revenue and pricing (Chapters 8-11)

13. Do you support our intent to propose an alternative approach to smooth the impact on prices in the first year of the 2027-32 regulatory period, noting that it may lead to higher price increases in later years if the energy demand forecast does not eventuate?

Other comments

14. Do you have any further comments on our draft Revenue Proposal or supporting communications and information?