Revenue Proposal Reference Group Meeting No.8

Details of Meeting	
Date and time of meeting	13:00 – 17:00, Wednesday September 17 2025
Location	Powerlink Offices, Virginia

Attendees	Organisation
RPRG members – customer representatives	
Stephanie McKechnie (delegate)	Queensland Farmers' Federation (QFF)
Robyn Robinson	Council on the Ageing (COTA)
Chris Hazzard	St Vincent de Paul Society
Mark Grenning	Energy Users Association of Australia (EUAA)
Nardia Yeates (online)	Aurizon
Katie-Ann Mulder	Queensland Renewable Energy Council (QREC)
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	
Jacqui Bridge	Executive General Manager Energy Futures
Darryl Rowell	Chief Executive Officer
Nina Zhuang	Finance and Modelling Lead, Revenue Reset
Michelle Beavis	Opex Lead, Revenue Reset
Aidan Lawlor	Capex Lead, Revenue Reset
Jessica Purdy	Customer Engagement Specialist, Revenue Reset
Invited stakeholders	
Michael Brothers	Australian Energy Regulator (AER)
Albert Tong (online)	Australian Energy Regulator (AER)
Matt Crowley (online)	Australian Energy Regulator (AER)
Sam McGinty (online)	Australian Energy Regulator (AER)
Cameron Martin (online)	Australian Energy Regulator (AER)

Attendees	Organisation
Mike Swanston	AER Consumer Challenge Panel No.34
David Prins (online)	AER Consumer Challenge Panel No.34
Apologies	
Alicia Kennedy	Queensland Farmers' Federation (QFF)

Meeting Agenda

1. Business and operating environment and historical expenditure
2. Forecast capital expenditure
3. Forecast operating expenditure
4. Maximum Allowed Revenue and Regulatory Asset Base
5. Questions and next steps

Overview / Notes of Meeting

Jacqui Bridge, Executive General Manager Network Investment, opened the meeting with an acknowledgement of country and Roger Smith, Director Revenue Reset, introduced the meeting purpose and agenda. Presentation slides that accompany these notes are published on the Powerlink Customer Panel webpage. The presentation summarises the high-level positions and alternatives in the draft Revenue Proposal, for preliminary feedback from the RPRG.

1. Business and operating environment and historical expenditure

Roger provided an overview of the opening slides of the draft Revenue Proposal Overview, covering the structure of the document and summarising key chapters on Powerlink's business and operating environment and historical capital and operating expenditure.

Discussion, questions and responses

Discussion focused on cost allocation adjustments in 2025 intended to more appropriately apply Powerlink's Cost Allocation Methodology (CAM) as the scale of non-regulated activities has increased since 2022.

1. Does the adjustment to 2025 capital expenditure result from changes to the CAM?
    a. There are no changes to our CAM, however we have reviewed the processes used to apply the CAM and made this adjustment to ensure new or increased non-network costs in 2023, 2024 and 2025 have been allocated according to its principles and in the best interest of our customers.
2. Can Powerlink indicate what the outturn would have been without the adjustments?
    a. Powerlink will provide more detail on the adjustments made to capital expenditure in 2025, which will include the total for 2025 in the event that no adjustment had been made.
3. Why was the application of the new interpretation only taken back to 2022-23? Was it not an issue in the previous period?
    a. We regularly review the application of our CAM, the majority of necessary adjustments were due to the need to commence works to support the energy transition following publication of the previous

Queensland Government's energy plan in September 2022. Systems in place to ensure appropriate allocation of costs in line with our CAM required review and update to accommodate the additional business area.

4. What are the key messages for customers from this adjustment and reasons for step increases in expenditure after 2025?
    a. The adjustment reflects the increased variety of funding pathways available for transmission projects and reduces the materiality of our overspend in the 2023-27 regulatory period.
    b. We have applied a consistent process to review the forecast capital expenditure for 2026 and 2027. The forecast also assumes our Contingent Project Application relating to synchronous condensers will be approved by the AER and progress as per our application.
5. Has Powerlink engaged with the AER to discuss this adjustment?
    a. We will engage with the AER on this issue and its representation in our Revenue Proposal as part of the current process to gather feedback on the draft Revenue Proposal.
    b. Application of the full adjustment in 2025 avoids restating regulatory information already provided to the AER for 2023 and 2024.
6. Has the impact of network support costs on customer prices been included in the draft Revenue Proposal?
    a. The impact of network support costs has not been included in the draft Revenue Proposal as they are no longer included in the Maximum Allowed Revenue (MAR).

Post meeting notes:

b. Powerlink will include information on price impacts from sources external to the revenue determination process, such as network support costs for system services, with its Revenue Proposal in January 2026.

   Based on forecast network support costs of $422.1 million ($real, 2026/27) and using the AER's default smoothing, the transmission component of an average Queensland residential bill is expected to increase by 16% (compared to 8%, excluding network support costs) in FY28, followed by an average annual increase of 3% (unchanged) thereafter.

    i. Residential customer: FY28 increase of $24 (+$13).
    ii. Small business customer: FY28 increase of $47 (+25).

2. Forecast capital expenditure

Aidan Lawlor, Capex Lead Revenue Reset, presented the capital expenditure forecast for the 2027-32 regulatory period.

Discussion, questions and responses

7. Are new projects likely to be added to this forecast following announcement of the state government's energy roadmap in October?
    a. After the energy roadmap is released, Powerlink will engage with the RPRG and consider whether there is a need to incorporate additional projects either via inclusion in the ex-ante forecast or as contingent projects. The energy roadmap release date of 10 October 2025 allows time for refinement of our Revenue Proposal prior to lodgement in January 2026.

   b. Projects such as the Gladstone Project and Copperstring are not part of the capital expenditure allowance in the Revenue Proposal.
   c. The RPRG encouraged clearer identification and explanation of which publicly announced projects have been included in the Revenue Proposal and which have not.

8. Have any constraints been applied to the capex forecast, for example to account for competition for construction resources from within the energy sector and across other sectors?
   a. We don't anticipate the Olympics will significantly impact network access but acknowledge competition for construction resources across all sectors will keep cost and demand for resources high throughout the 2027-32 regulatory period.
   b. Forecast increases in expenditure are driven by input cost increases as well as the volume of work. A large proportion of forecast capital expenditure relates to major one-off programs which are not expected to compete for the same pool of resources as typical reinvestment projects.
   c. The RPRG encouraged Powerlink to strengthen the narrative in the draft Revenue Proposal to explain how step increases in expenditure in 2026 and 2028 will be delivered.

9. Can Powerlink provide insight into any changes to the energy demand forecast expected in the 2025 Transmission Annual Planning Report (TAPR)?
   a. We anticipate energy demand will continue to increase, albeit more gradually than forecast in 2024. Forecast electricity demand for hydrogen production is reducing, however other large customers continue to anticipate increased consumption arising from electrification.
   b. The 2025 TAPR will be covered in detail at Powerlink's 2025 Transmission Network Forum in November and more details can be provided to the RPRG on request following publication.

10. What does "operational tools" refer to?
    a. This is a generalised term referring to several technology implementation projects which support operation of the transmission network. These are covered in Chapter 5 of the draft Revenue Proposal and will be addressed at our October RPRG meeting.
    b. The RPRG encouraged Powerlink to review the language used in the draft Revenue Proposal overview for improved clarity.

11. How is deliverability of the capital expenditure forecast assessed and what learnings have been applied?
    a. Our forecasts for the 2027-32 regulatory period and the remainder of the 2023-27 period will be continuously reviewed to apply deliverability learnings as they arise.
    b. Most of the forecast capital expenditure (approx. 60%) is for asset reinvestment projects, which Powerlink are highly experienced in delivering. Powerlink will provide more information on the lessons learnt process applied to network capital projects, and how this informs deliverability of the portfolio of future capital works at the November RPRG meeting.
    c. The RPRG acknowledged that while it may express concerns regarding the deliverability of Powerlink's forecast capital expenditure, the group are not qualified or expected to provide an assessment on this.

3. Forecast operating expenditure

Michelle Beavis, Opex Lead Revenue Reset, outlined the operating expenditure forecast, inputs to the base-trend-step methodology, and Powerlink's productivity performance.

Discussion, questions and responses

Questions focused on the alternative output measure proposed to better reflect increasing network complexity. The group discussed the limitations of current output measures, with participants noting the need for industry-wide engagement on more relevant metrics and the implications of setting a precedent for other networks to follow.

12. What does the security step change include and is it intended primarily to meet regulatory requirements or respond to increased risk?
    a. The capital expenditure forecast includes installation of new infrastructure and hardware and the step change in operating expenditure covers ongoing labour and licencing fees.
    b. All proposed step changes, including security, are driven by regulatory or market requirements – the RPRG noted there is limited opportunity for them to influence such requirements.
13. How is renewable energy defined?
    a. We have sourced the generation data from the AEMO 2024 Integrated System Plan using the CDP14 Scenario which AEMO have determined to be the Optimal Development Path. Sources for renewable energy included in the measure are hydro, utility storage, coordinated Consumer Energy Resources (CER) storage, passive CER storage, offshore wind, wind, utility solar and distributed photo-voltaic (PV) solar.
    b. The number and diversity of new generation sources is driving increased complexity and cost. This could also include fossil fuel assets such as gas peaking plant.
    c. Powerlink will continue to consider alternatives as we progress from the draft to lodgement of our Revenue Proposal in January 2026. Any alternatives considered should be sourced from publicly available third-party data.
14. Is there a risk of double counting by using both renewable energy supplied and energy throughput as output growth measures?
    a. Energy throughput understates the growth in complexity for transmission networks because reduction or variation in throughput also contributes to increased costs of operating the network.
    b. Energy throughput and ratcheted maximum demand relate directly to the scale of the network and operations functions needed to support it, whereas any output growth measure of complexity is likely to be a proxy rather than a direct driver.
    c. We will consider this issue while reviewing alternative potential output growth measures and engage further with the RPRG.
15. Is the AER able to accept an alternative output growth measure as part of the revenue determination or is a guideline change required?
    a. The guideline is not binding, so the proposed measure can be considered provided it complies with the National Electricity Rules.
    b. It was noted that changes to output growth measures could also be applied to productivity benchmarking calculations and have the potential to set a new precedent in the industry.
16. Is there any collective action between networks on reviewing the output growth measures or industry benchmarking processes?
    a. Powerlink provides feedback to the AER each year in response to publication of the AER's annual benchmarking report.

b. It was noted that network businesses are most likely to undertake detailed reviews in the lead up to their own revenue determinations.

4. Maximum Allowed Revenue and Regulatory Asset Base

Nina Zhuang, Finance and Modelling Lead, explained the forecast increases in the regulatory asset base, rate of return, and the resulting impact on maximum allowed revenue and customer bills. Roger covered the proposed alternative approach to the Capital Expenditure Sharing Scheme (CESS), which reflects cost increases outside Powerlink's control, and sought feedback on this method.

Discussion, questions and responses

The RPRG asked questions on the alternative smoothing approach, the alternative approach to CESS carryover and the broader impacts on customer bills. They confirmed a preference for the alternative smoothing method, noting that a more stable price path is preferable to the default option.

17. What is the definition of a "small business" customer?

Post meeting notes:

a. The AER defines small business customers using a reference value for annual usage of 10,000kWh[1].

18. How will the transmission proportion of customer bills (currently 7%) change by the end of the 2027-32 regulatory period, assuming all other components were to remain constant?

Post meeting notes:

The estimated transmission proportion of customer bills is shown below:

a. Default Smoothing

	FY27	FY32
Residential customer	6.7%	7.2%
Small Business customer	6.5%	7.0%

b. Alternative Smoothing

	FY27	FY32
Residential customer	6.7%	7.5%
Small Business customer	6.5%	7.3%

19. What is the impact of the WACC increase on MAR?

Post meeting notes:

The WACC increase contributes $712m (63%) to the total MAR increase of $1,130m ($real, 2026/27).

[1] Default market offer prices 2025-26 final determination, Australian Energy Regulator, 26 May 2025.

20. Can Powerlink provide further details on the methodology used to restate the 2027-32 CESS allowance and reasons for not applying a similar approach for the Efficiency Benefit Sharing Scheme (EBSS) allowance?
    a. Powerlink will document the methodology and circulate to the RPRG.
    b. While there is no similar provision in the Rules for the AER to take account of a network service providers' circumstances under the EBSS, Powerlink continues to encourage the AER to be mindful of the circumstances in the application of both the CESS and EBSS.
21. What is Powerlink's narrative to support passing input cost increases on to customers who have been impacted by similar cost pressures in their own businesses?
    a. CESS penalties apply regardless of whether the overspend is prudent and efficient or is needed to meet regulatory performance standards.
    b. While Powerlink accepts being penalised for expenditure within our control, we are seeking a reasonable alternative for costs outside our control that cannot be mitigated within our regulated rate of return.
22. Was there a benefit to customers resulting from the Asset Reinvestment Review?
    a. Reduced reinvestment resulting from the Asset Reinvestment Review has reduced the total overspend but was more than offset by increases in other categories.
    b. However, benefits accrue to customers because the Regulatory Asset Base is lower than it otherwise would have been due to reduced reinvestment in the 2023-27 regulatory period.

5. Questions and next steps

The meeting concluded with a review of upcoming actions and meetings planned to enable finalisation of Powerlink and RPRG positions prior to lodgement of the Revenue Proposal in January 2026.

23. Can Powerlink provide Post Implementation Review Documentation for both network and IT projects?
    a. Powerlink will provide an overview of our post implementation processes for network projects and learnings that have been applied in our expenditure forecasts.
24. How will unresolved positions including output growth and CESS be finalised?
    a. The RPRG will address the alternatives presented in their submission on the draft Revenue Proposal and Powerlink will facilitate further discussion at the December 2025 RPRG meeting.

Actions Arising

	Action	Responsible person	Due
5.3	Provide post-implementation reviews (PIRs) for IT investments to demonstrate efficiency gains and benefits in the current period	Simon Hendry	12/11/25
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	Complete
7.2	Schedule further engagement on the alternative approach to CESS carryover, following publication of draft Revenue Proposal	Jessica Purdy	Complete
8.1	Provide more detail on the adjustments made to capital expenditure in 2025, including the total for 2025 in the event that no adjustment had been made	Roger Smith	10/10/25
8.2	Document the methodology used to restate the 2023-27 CESS allowance and circulate to the RPRG	Aidan Lawlor	10/10/25
8.3	Schedule an overview of post implementation processes and learnings applied in our expenditure forecasts	Jessica Purdy	15/10/25