RPRG Overview

Draft Revenue Proposal 2027-32

September 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

Present and discuss high-level positions in draft Revenue Proposal

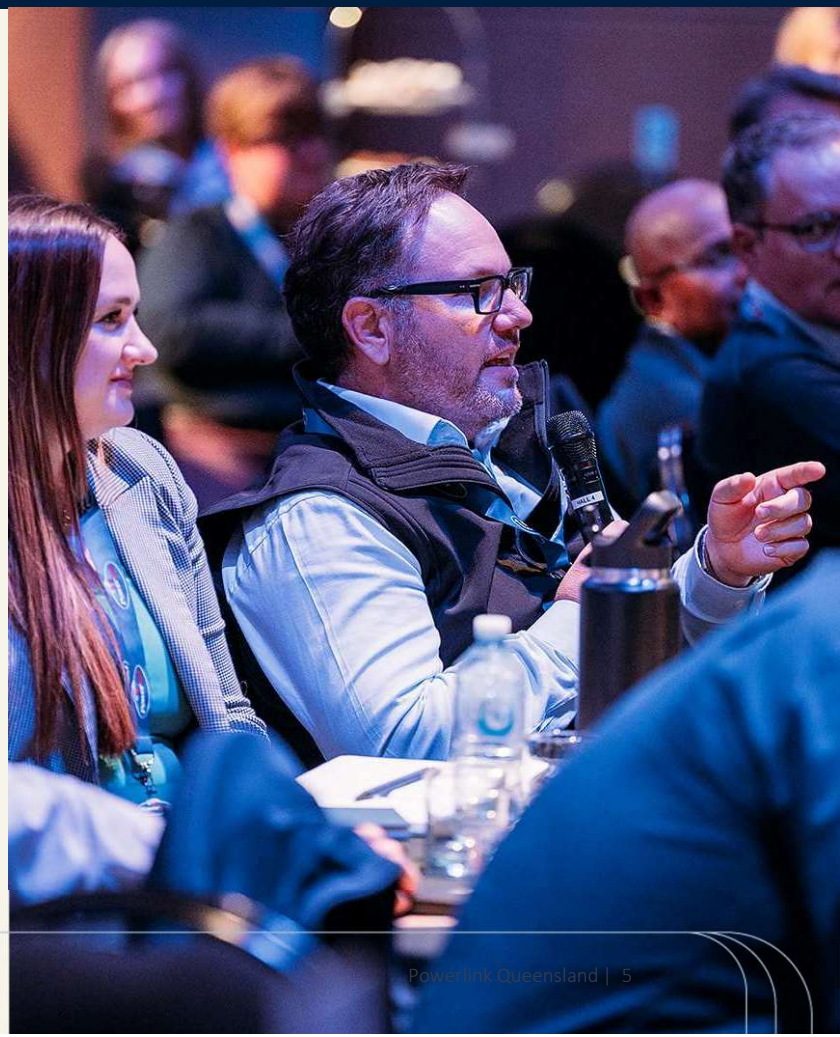
Seek preliminary feedback on draft Revenue Proposal and Overview

- Accessibility – format, style and understanding?
- Is there anything we missed or should include?
- Were there any surprises?
- Initial views on ‘capable of acceptance’?

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

Preliminary RPRG feedback – areas for consideration

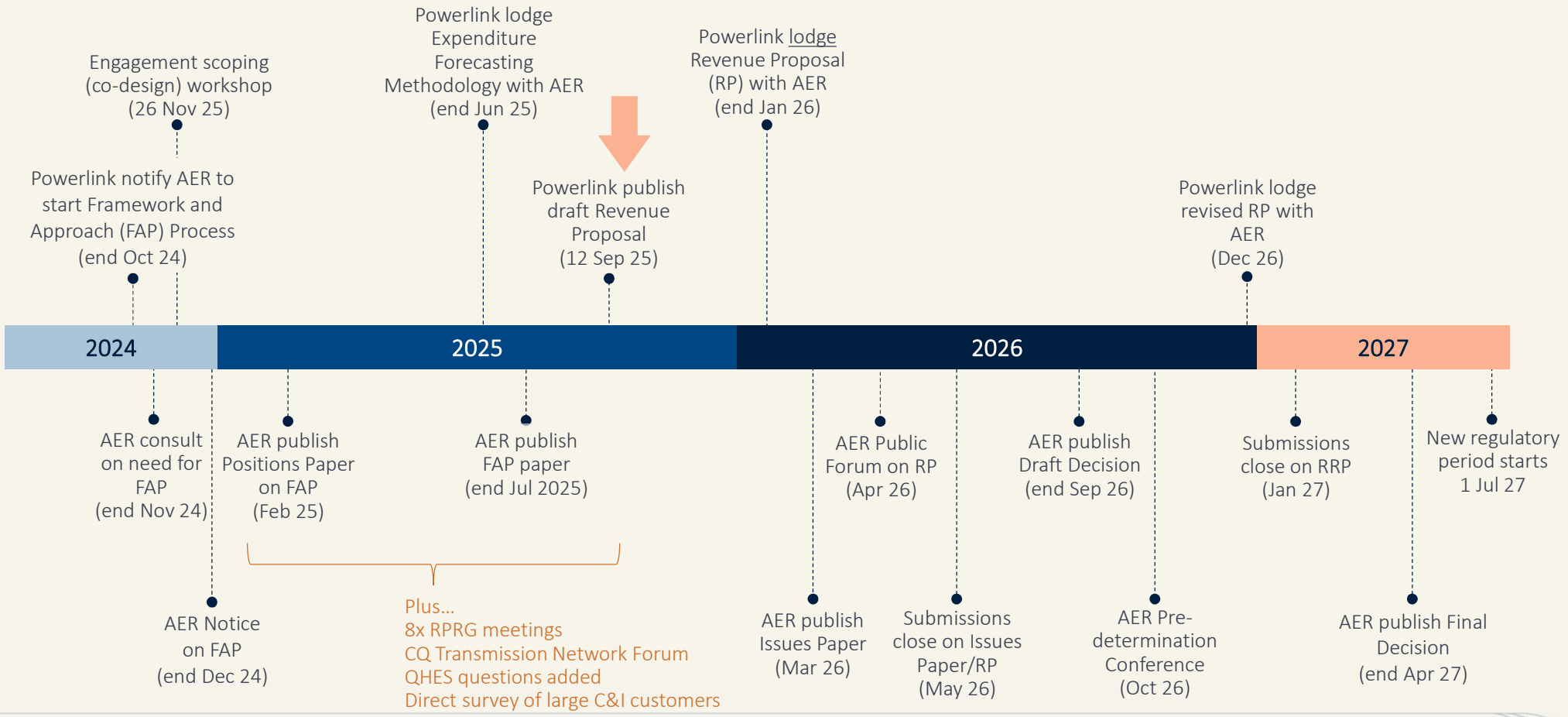
- Post Implementation Review documentation for both network and IT projects
- Proposed changes to the CESS, and what constitutes ‘costs beyond Powerlink’s control’
- Drivers for abnormally low 2024/25 capex
- Proposed change to the calculation of opex output growth
- Why there has been no CESS benefit from the Asset Reinvestment Review
- Can more system services costs be allocated to generators
- Proposed cost pass through events
- Productivity initiatives
- Insurance



Agenda

Item	Duration
Business and operating environment and historical expenditure	45 minutes
Forecast capital expenditure	45 minutes
BREAK	
Forecast operating expenditure	45 minutes
Maximum Allowed Revenue and Regulatory Asset Base	45 minutes
Questions and next steps	30 minutes

2027-32 Revenue Determination Milestones



CONTENTS	SLIDE	REFERS TO CHAPTER
About Powerlink	3	1
Business and operating environment	4	2
Revenue and pricing	5	11
Forecast capital expenditure	6	5
Forecast operating expenditure	8	6
Financials	10	7-10
Customer engagement	11	3
How to respond	13	-

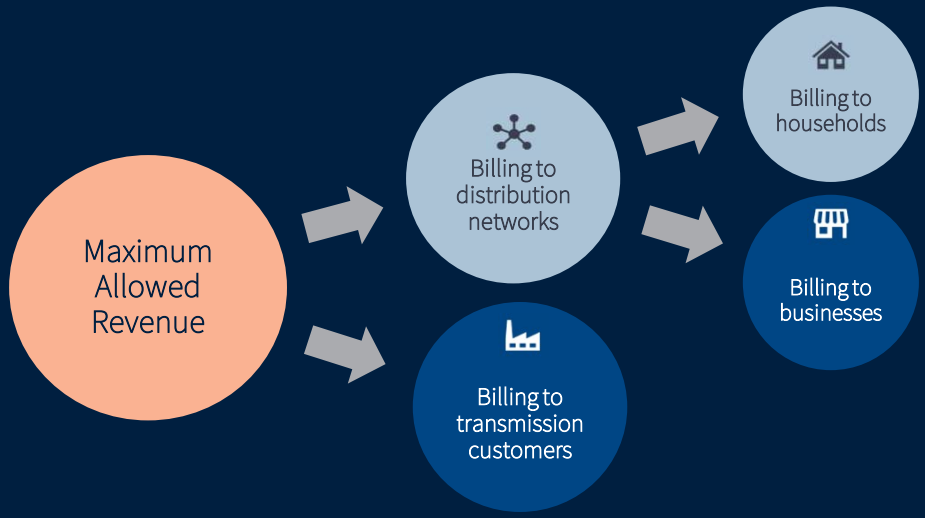
DRAFT REVENUE PROPOSAL

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

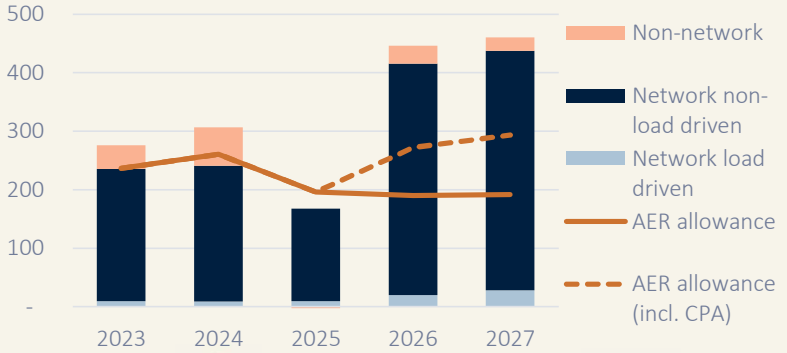
- **Queensland Government owned** – one of Australia's leading transmission network companies.
- We own, develop, operate and maintain the **high voltage transmission** network, providing electricity to more than **five million Queenslanders** and **241,000 businesses**.
- Our network runs **1,700km** 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.



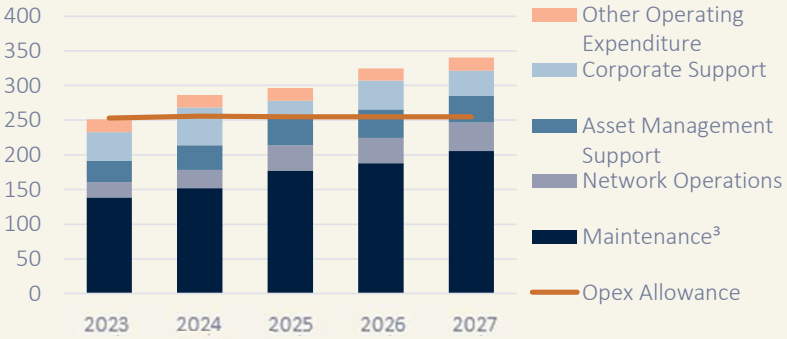
Business and operating environment

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.

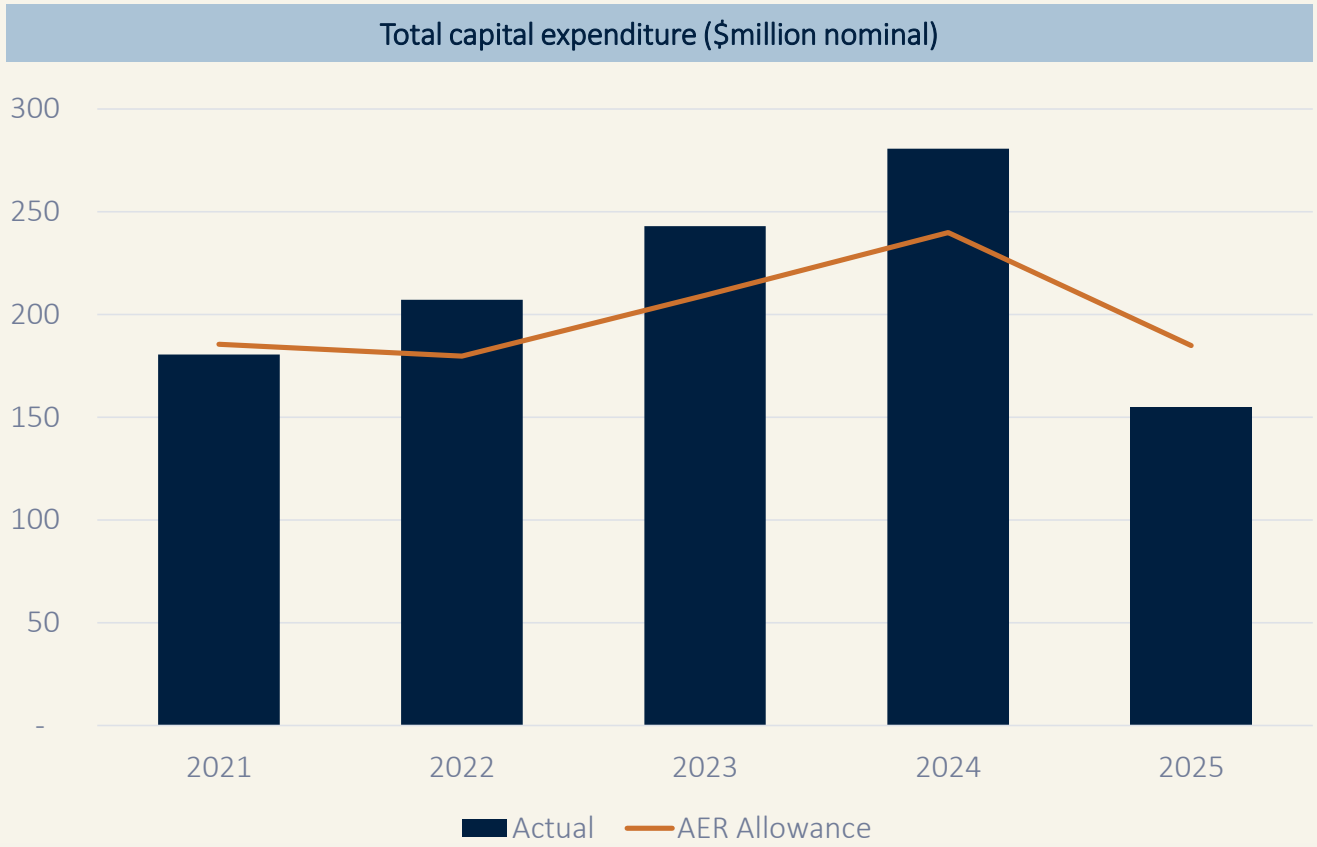
For more detail see Chapters 2 and 4 of the Draft Revenue Proposal

[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

Ex post review period capital expenditure

NEW



KEY HIGHLIGHTS

The adjustment in FY2025 incorporates cost reallocation over the first three years of the regulatory period.

Capital expenditure in the ex post review period is $66.7 million (6.7%) over the allowance

- we do not consider this significant within the context of the operating environment.

Summary of changes since May

NEW

	Description of changes	Impact on forecasts ($real, 2026/27)
Capital expenditure	• Significant reductions in reinvestment category • Non-network has increased in forecast period, primarily due to Virginia redevelopment	• **Capex forecast decreased** from $3,070m to $2,797m (-9%)
Operating expenditure	• Network support removed from opex forecast ($422m) • Refined base year, step changes and category specific items • Update rate of change inputs with more current data	• **Opex forecast decreased** from $2,434m to $1,831m (-25%)
Maximum Allowed Revenue	• WACC down 3bp driven by reduction in interest rates • Inflation down 5bp per Statement on Monetary Policy (Aug 2025) • CESS/EBSS carryover reduced by $259m due to reduced spend • Opening RAB (1 July 2027) reduced by $506.7m (-6%)	• **Unsmoothed MAR (nominal): decreased** from $6,321.5m to $5,743.2 (-9%) • **1st year price impact: 52% lower –** $11 for residential and $22 for businesses.

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:

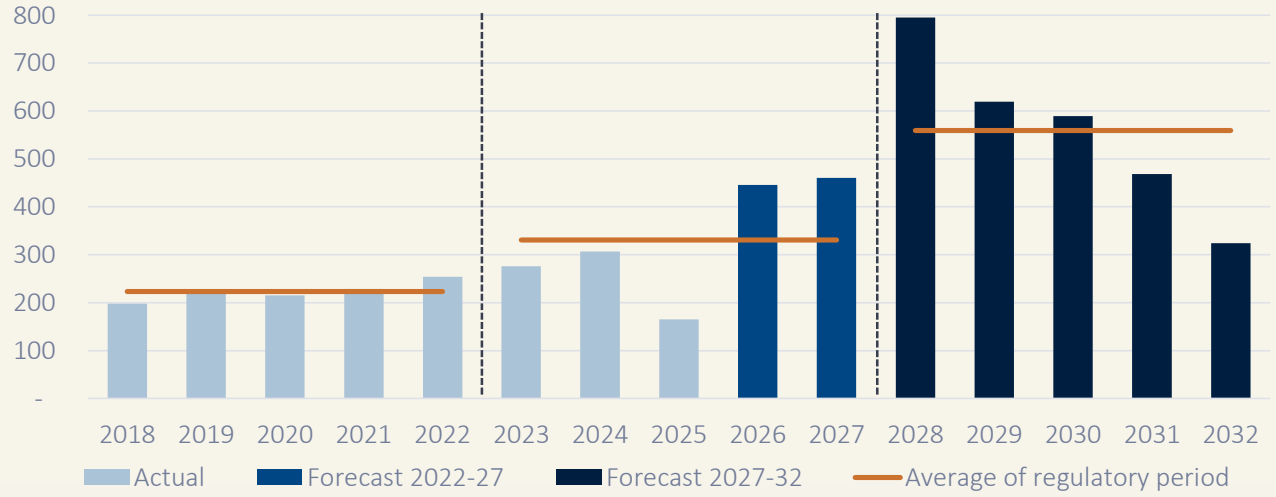
Need to intervene → Identify options → Evaluate options → Decision

KEY HIGHLIGHTS

Our **forecast capital expenditure** for the 2027-32 regulatory period is **$2,796.7 million**, $1,142.8 million higher than the expected expenditure in 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)

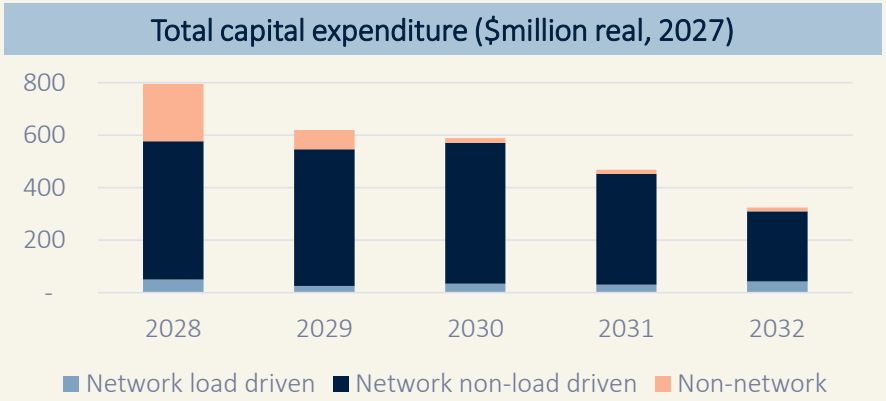


For more detail see Chapter 5 of the Draft Revenue Proposal

[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 tools 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.

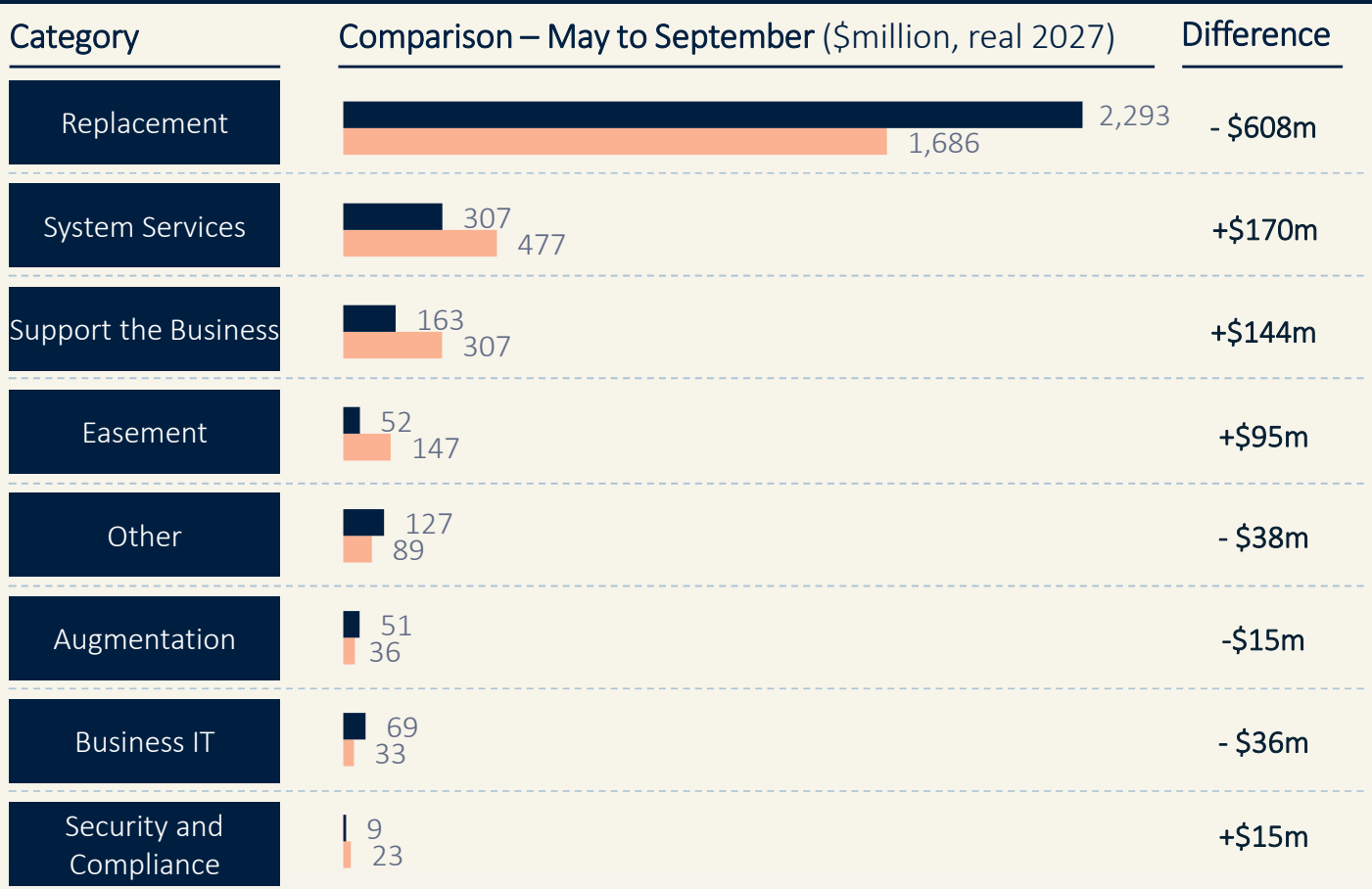
For more detail see Chapter 5 of the Draft Revenue Proposal

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

Summary of changes since May – forecast capex

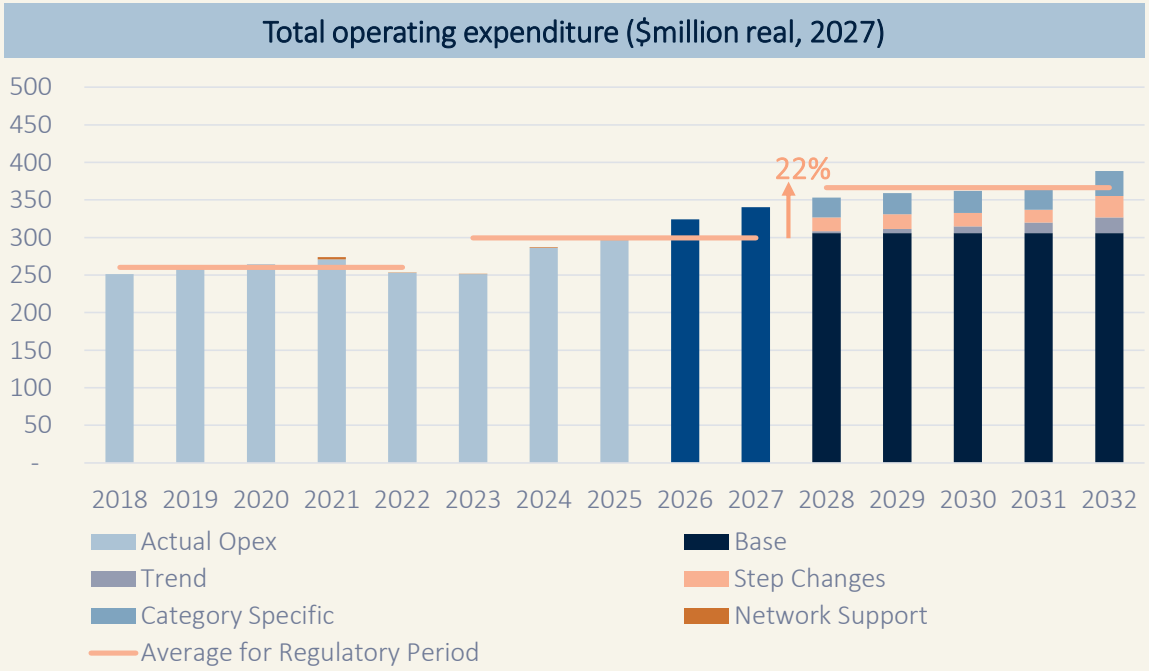
Since May, the capex forecast has decreased by **$274 million** in total

NEW



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

Alternative output growth impacts

NEW

We have proposed an alternative forecast which better represents the cost of operating an increasingly complex network by applying a different output growth.

Current output measures	Proposed output measures
Energy throughput	Energy throughput
Ratcheted maximum demand (RMD)	Ratcheted maximum demand (RMD)
Number of customers	***Renewable energy supplied***
Circuit length	Circuit length

We have sourced data for this measure from the AEMO 2024 Integrated System Plan, using the central scenario that AEMO have determined to be the Optimal Development Path (ODP).

Growth rate (%) per annum	2028	2029	2030	2031	2032
Number of customers	1.05	1.03	1.01	1.04	1.01
Renewable energy supplied	10.41	3.68	35.92	7.34	15.50

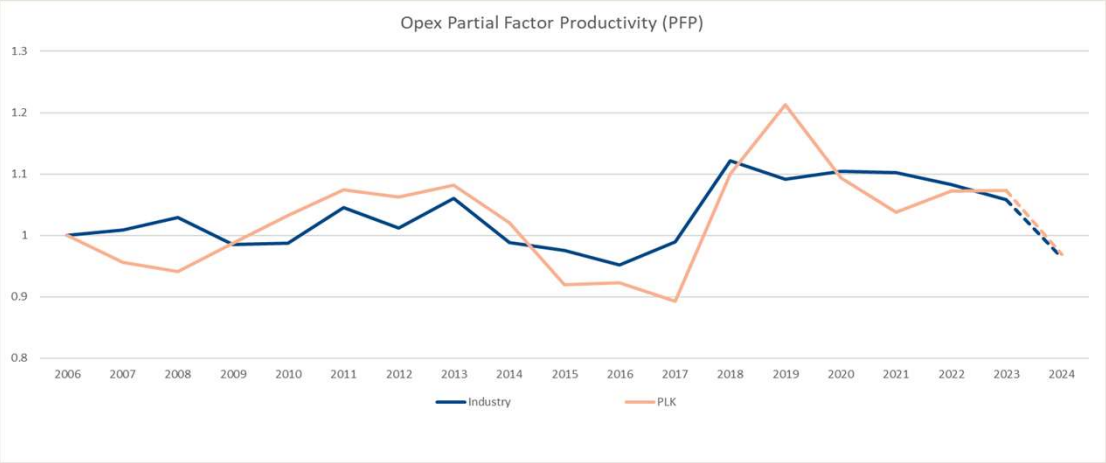
ALTERNATIVE FORECAST

- The alternative forecast results in an **increase of $54.4m** to the total opex forecast.
- We are considering the trade-off between the alternative forecast and our **step changes.**

Productivity overview

NEW

- Powerlink applied a productivity improvement of 0.6% for the 23-27 Revenue Proposal
- We have experienced a significant decline in productivity. The industry is likely to decline in performance in FY24.



- Powerlink proposes to align to the industry average productivity change – currently 0.3% but likely to reduce.
- Focused effort and deliberate actions will be required to achieve this productivity target.

PRODUCTIVITY SAVINGS 22-27

- **~$3m+ annually** through the implementation of shared working arrangements.
- **~$2.4m annually** by utilising satellite data capture technology and establishing statewide vegetation management contracts.
- **~$230k annually** by changing the timing of civil inspections.

POSSIBLE PRODUCTIVITY SAVINGS 27-32

- **Remote monitoring** to enable targeted maintenance
- Use of **AI** to support efficient business activities.
- Use of **drone and robotic technologies** for maintenance work.

Regulatory Asset Base and Financial Inputs

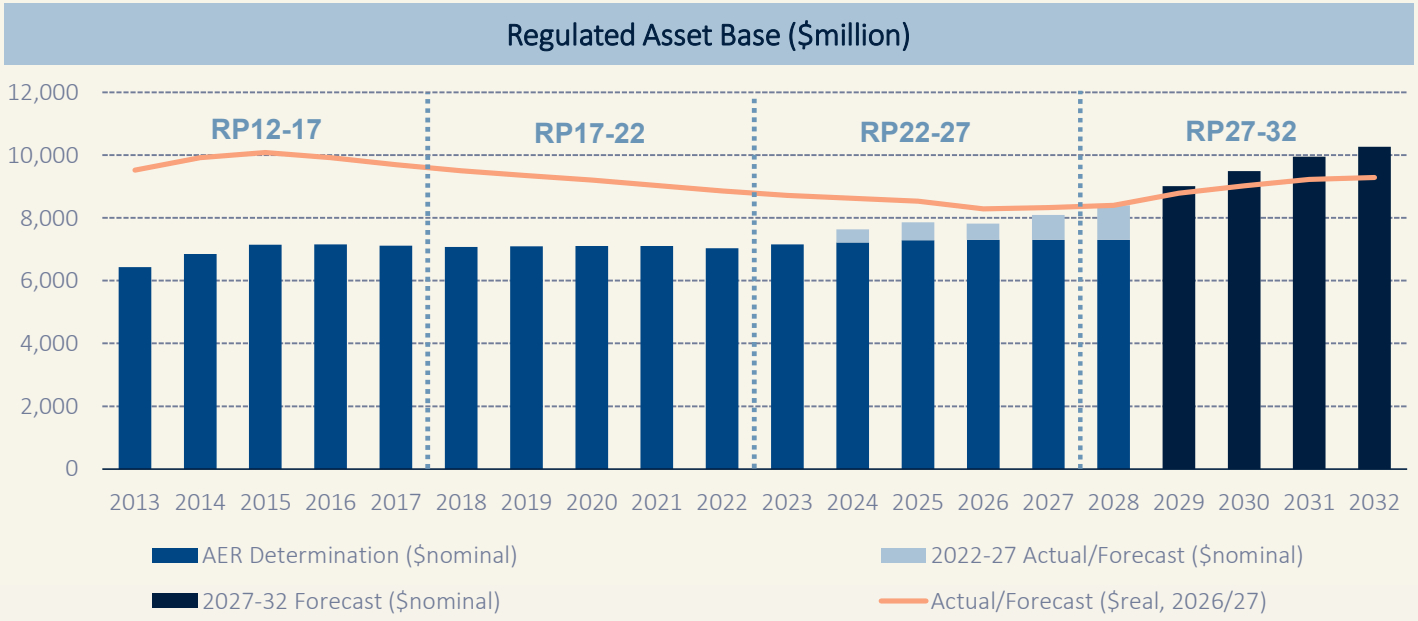
Our RAB is forecast to increase by 24% in the 2027-32 regulatory period, as utilities wage growth continues above the national average and other input cost increases moderate

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).

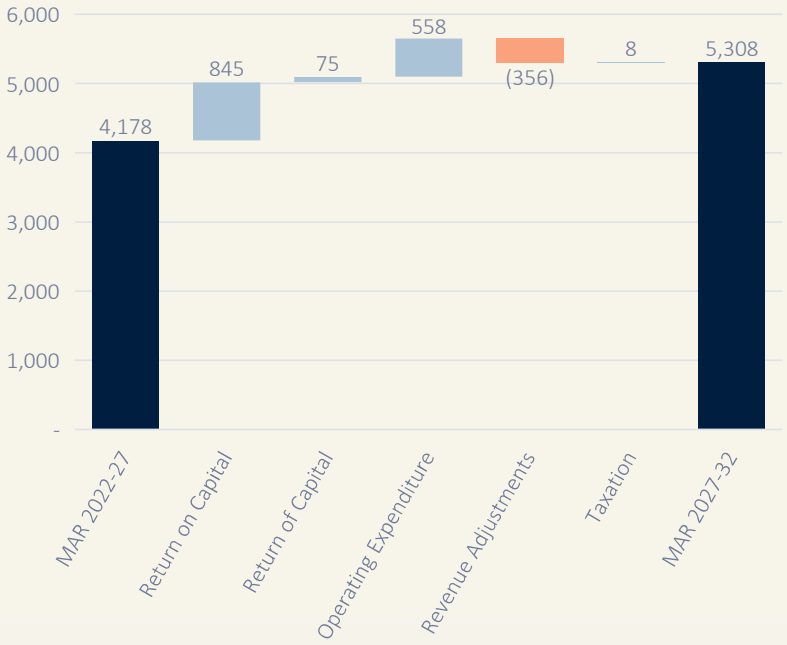
For more detail see Chapters 7-9 of the Draft Revenue Proposal

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

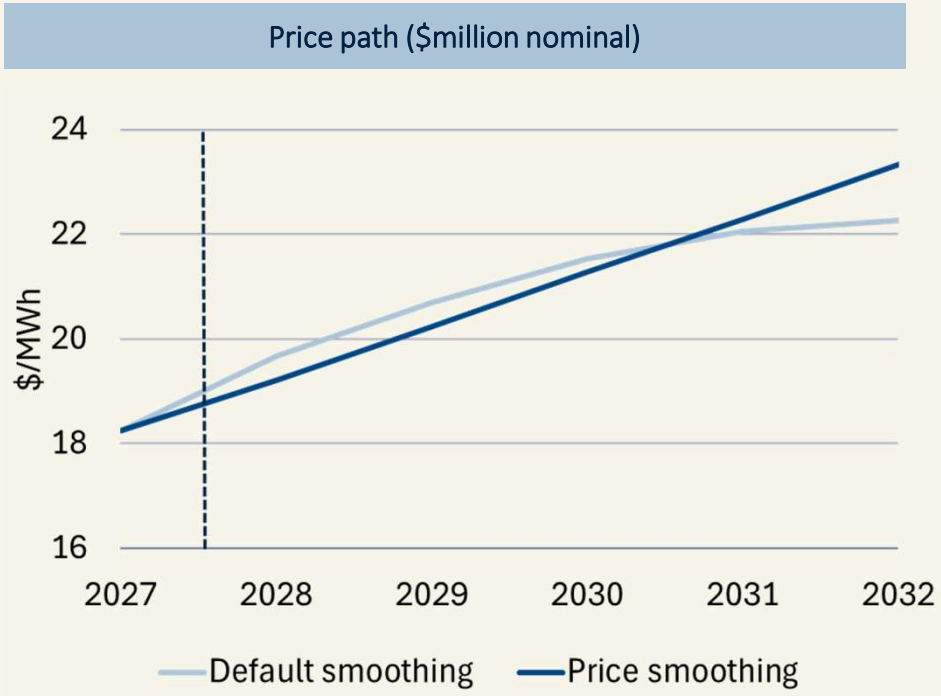
+$22 Small business

For more detail see Chapter 11 of the Draft Revenue Proposal

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

MAR and pricing – alternative smoothing

NEW



KEY HIGHLIGHTS

Default smoothing

- First year price increase of 8%, followed by an average of 3% annual increase thereafter.
- In the final year (2031/32), the smoothed MAR is 6.6% lower than the unsmoothed MAR, exceeding the AER's 3% threshold.

Alternative smoothing

- The MAR increase is partially offset by higher forecast energy delivered.
- Delivers a smoother price path with 5% annual increases
- Final year smoothed MAR is 2.2% lower than the unsmoothed MAR, within AER threshold.

Estimated impact on the transmission component of an average annual electricity bill in 2028[1]

$8 (-$3)
Residential

+$15 (-$7)
Small business

[1]$nominal

MAR and pricing – alternative CESS approach

NEW

Methodology

1. Separate allowance by asset type
2. Apply actual increases to the specific asset type cost inputs
3. Update for prevailing inflation (consumer price index) and industry wide wage growth (wage price indices)

KEY HIGHLIGHTS

- During the current 2022-27 regulatory period, Powerlink and other TNSPs faced an unprecedented cost increase in major plant, materials and skilled resources, resulting in higher capital expenditure than initially forecast.
- To provide an alternative view, we recalculated the capital expenditure allowance for the 2022-27 regulatory period to reflect the actual increases to the cost inputs, which results in:
  - A lower CESS carryover by $83.7 million (real 2026/27)
  - A higher unsmoothed MAR of $5,833.6 million, which is $90.3 million above the forecast (nominal).

Estimated impact on the transmission component of an average annual electricity bill in 2028[1]

$14 (+$3) Residential

+$28 (+$6) Small business

[1]$nominal, using default smoothing in post tax revenue model

Questions and next steps

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

Engagement evaluation
Overview of Revenue Proposal

Insurance
Cost pass throughs
Non-network capital

Agenda to be confirmed (reschedule from January)

Action		Due
5.3	Provide post-implementation reviews (PIRs) for IT investments to demonstrate efficiency gains and benefits realised in the current period	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?	Complete