Powerlink 2027-32
Revenue Proposal

Revenue Proposal Reference Group Meeting

November 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 considerations and decision-making on insurance for the 2027-32 regulatory period
- Summarise non-network property capital investment for current and upcoming regulatory periods
- Explain our lessons learned and deliverability review processes and their application to our capital expenditure forecast

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

Agenda

Item	Duration	
Insurance and cost pass throughs	45 minutes	
Non-network property	30 minutes	
BREAK (15 minutes)		
Lessons learnt and project deliverability	60 minutes	

Insurance and pass through events

Greg Bolton, Manager Governance, Risk and Insurance

2027-32 Revenue Proposal context

Draft Proposal

- We included a bottom-up forecast of **$64 million** ($real, 2027) for our prescribed insurance costs
- It was included as a non-controllable, category specific forecast due to unpredictability and forecast being **$6.9 million higher** than the base-trend-step forecast.

Current position

- Due to refinement of the asset values, our revised forecast is now **$57 million** ($real, 2027)
- This could now be accommodated within the rate of change with **< $0.5 million difference** to the revised forecast
- We propose to trend our insurance costs for the Revenue Proposal.

The purpose of this session is to help inform our considerations and decision-making on insurance over the 2027-32 regulatory period.

Insurance market

The insurance market follows a generic cycle.
Of note:

- 25 consecutive quarterly **increases** (Oct 2017 – Dec 2023)
- 7 consecutive quarterly **decreases** (Jan 2024 – current)

Currently in a soft insurance market, characterised by increased insurer capacity and heightened competition

The cycle will turn (progressively and inconsistently) – but this is difficult to predict.

Insurance program

Powerlink adopts a range of mitigation strategies to manage market conditions, including:

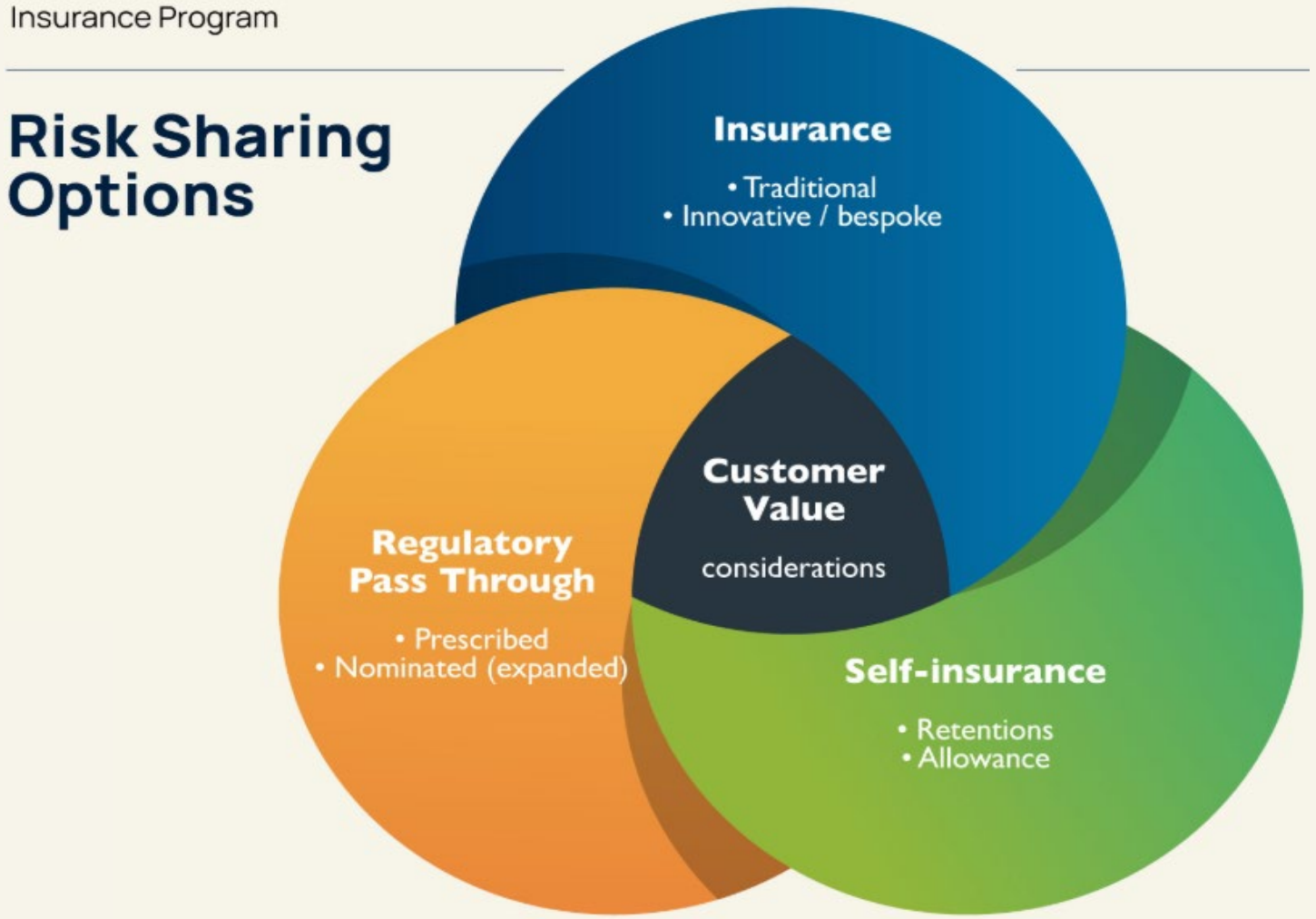
- **Annual Insurance Renewal Strategy**, underpinned by extensive analysis
- We proactively pursue and build **long-term relationships with insurers**
- Our insurance requirements are informed by a range of processes including:
  - Annual and ongoing operational **risk assessments** including Maximum Worst Foreseeable Loss (MFL) studies
  - Underwriter **engineering reports**
  - Alignment with **Australian and International Standards**
  - Broker advice and benchmarking
  - Powerlink claims history

Note: Powerlink prudently buys insurance based on risk appetite, risk profile and need; not based on market conditions.

Insurance program

Powerlink's insurance program includes a combination of insurance, self-insurance and regulatory pass-through arrangements

It is important to consider the interaction / trade-off of costs and risks to customers and the business.



Insurance program - Loss history

Our high industry standing, risk management practices and loss history make Powerlink a *'good risk'* from an insurer perspective

Loss history is quantified by loss ratios (i.e. claims paid / premium received)

Powerlink's 15-year insurance loss ratios across major policies:

- Industrial Special Risks (ISR) ~**66%**,
- Industrial Special Risks – Towers & Lines (ISR TL) ~**33%**,
- General Liability **0%**.

Insurance program Revenue Proposal strategy

Powerlink requires an insurance program and strategy that balances risk exposure with appropriate insurance taking into account regulatory arrangements. Summary of strategy:

Area / Policy	Description	Comments
ISR	Maintain prudent cover, no material change	Historically an insurance event will occur every ~3 years
ISR Towers and Lines	See next slide (redacted – commercial in confidence)	CHANGE FROM 2022-27 Historically an insurance event will occur every ~8+ years Offset with an increase to the self-insurance allowance
General Liability	Maintain prudent cover, no material change	Main driver is bushfire liability and loss / disruption of supply exposures
Financial Lines	Maintain prudent cover, no material change	Policies incl. Director and Officers, Corporate Liability, Cyber
Ancillary Lines	Maintain prudent cover, no material change	Policies incl. Motor Vehicle, Marine Cargo, Travel
Self-Insurance	Maintain a prudent allowance based on historical information and current / future context	Complements the insurance program and pass through mechanisms
Nominated Pass Throughs	Baselined on PQ risk profile and AER determinations **New proposed event** - Terrorism	CHANGE FROM 2022-27 Complements the insurance program and self-insurance

Pass through

A cost pass through allows a Network Service Provider to seek approval from the AER to recover costs in providing prescribed transmission services. The change in cost must be greater than 1% of Maximum Allowed Revenue

The Rules specify the requirements for considering a cost pass through, including whether the NSP could have insured against the event on reasonable commercial terms

Below is an illustration of the elements:

With commercial insurance (primarily reliant on insurance):

With no insurance (primarily reliant on pass-through):

Nominated pass through events

Four nominated pass through events included in our Revenue Proposal

Insurance coverage event

- Focus is on liability events (3rd party) where liability losses exceed and/or are not covered due to gaps in insurance placement e.g. a Network Service Provider (NSP) initiates a bushfire event

Insurer credit risk event

- Focus is on where an insurer becomes insolvent, and as a result (in respect of an existing or potential claim) a NSP is financially impacted

Natural disaster event

- Focus is on Natural Disaster events impacting NSP property (1st party) e.g. a NSP is materially impacted by a cyclone / wind, flood, bushfire event

Terrorism event

- Focus is on terrorism events impacting a NSP where there are changes to the costs in providing prescribed transmission services. New proposed event consistent with other NSPs.

Key factors

Factors for determining a prudent and efficient allocation of risk and costs include:

- Minimising total cost to customers
- Prevailing insurance market conditions
- Availability / capacity of Insurance cover
- Operating environment, business profile and activities, asset base, etc.
- Claims history
- AER’s assessment of a prudent and efficient level of insurance.

Questions?

Non-network property

Des Kluck, A/EGM Corporate Services

Introduction

Purpose

In this presentation, we aim to summarise:

1. **Current regulatory period (2022-27) non-network property capital investment**
2. **Upcoming regulatory period (2027-32) non-network property capital investment**

Presenter

Des Kluck – Acting Executive General Manager, Corporate Services

Past RPRG Engagement

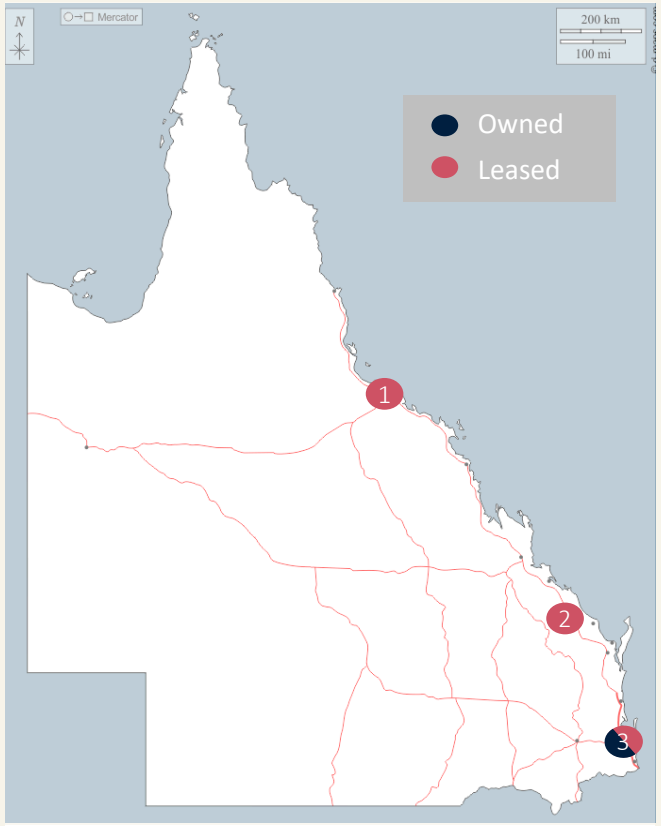
In 2020/21 we consulted with the RPRG regarding planned capital investment in non-network property for the current regulatory period (2022-27)

- The current period capital investment was limited to the **refurbishment of the Edison and Brian Sharp buildings** and **divestment of the NorthLink Place property**
- **A comprehensive review** of the existing Virginia complex identified the original refurbishment would not adequately support the organisation's future workforce and operational needs.

Non-network property

Powerlink has a range of owned and leased properties which fall in the non-network property category. These properties are mix of warehouse and office space and costs are managed according to our Cost Allocation Methodology (CAM)

Today's presentation will focus on our proposed refit capital investment plans for our Virginia Complex.



Legend

1. Townsville Hub and project locations
2. Gladstone Hub
3. Brisbane offices and warehousing

Virginia Complex Overview

The Virginia Complex comprises 68,300sqm of land which is in the Regulatory Asset Base. Two of the four key structures date back to the 1950s and have reached functional end of life.

Edison Building

Two storey office building, was a 1950s warehouse, refurbished in ~1997.
Building Age: ~75 years (fit-out 28 yrs)

Tesla Building

Large warehouse located adjacent to the Edison Building.
Building Age: ~65 years (fit-out 23 yrs)

Brian Sharp Building

Office building adjacent to the Edison Building and houses gym and car parking on the ground floor.
Building Age: 19 years

Williamson Building

Integrated into the broader Tesla Warehouse as a quasi-office facility.
Building Age: ~65 years

Northlink Place

Office building and ancillary warehouse. Part of ground floor was recently refurbished.
Building Age: 26 years

Car Park Buildings 1 and 2

Three-storey concrete parking structures accommodating 434 and 103 vehicles respectively. Other on-grade parking on-site.
Building Age: Between 13-23 years

Options considered

Option 1 - Full Workplace Refurbishment: Full refurbishment of the Edison and Brian Sharp buildings, including all upgrades to meet current disabled access guidelines, achieve building code compliance, and services upgrades

Option 2 - Light Touch Workplace Refurbishment: This option restricted the scope of works to the minimum required to achieve a new workplace fit-out

Option 3 - Do Nothing : Implementation of maintenance capex as required to replace failing equipment only. No fit-out works are provisioned within this option

Option 4 - Demolish and Rebuild: Considered the demolition of the Virginia Site, and replacement to create a new purpose-built single office facility at Virginia

Option 5 - Relocate – Single Leased Premises: Assessed the lease of new purpose-built facilities to house the office and operational / warehouse facility

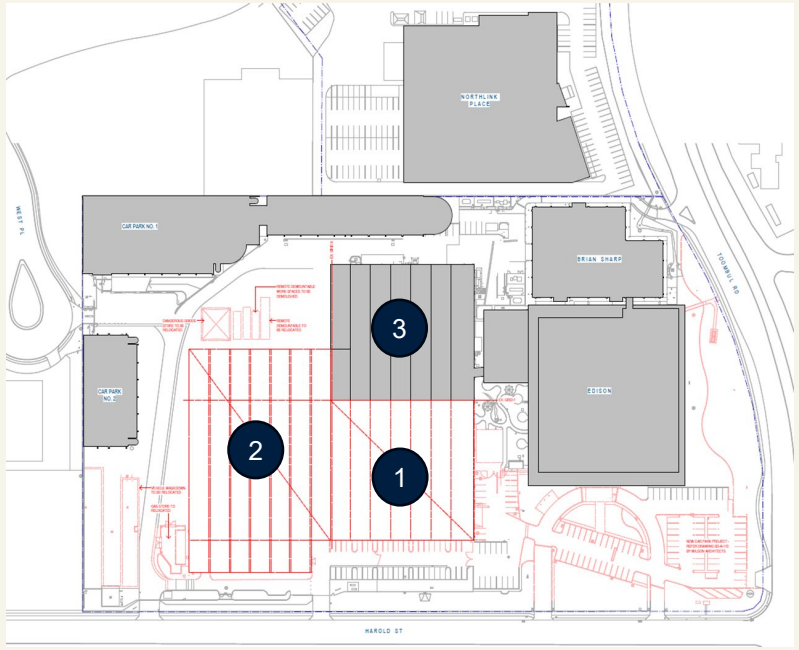
Option 6 - Relocate – Leased Office and New Operational Warehouse Facilities: This option considered the lease of new office facilities and construction of a new operational / warehouse facility

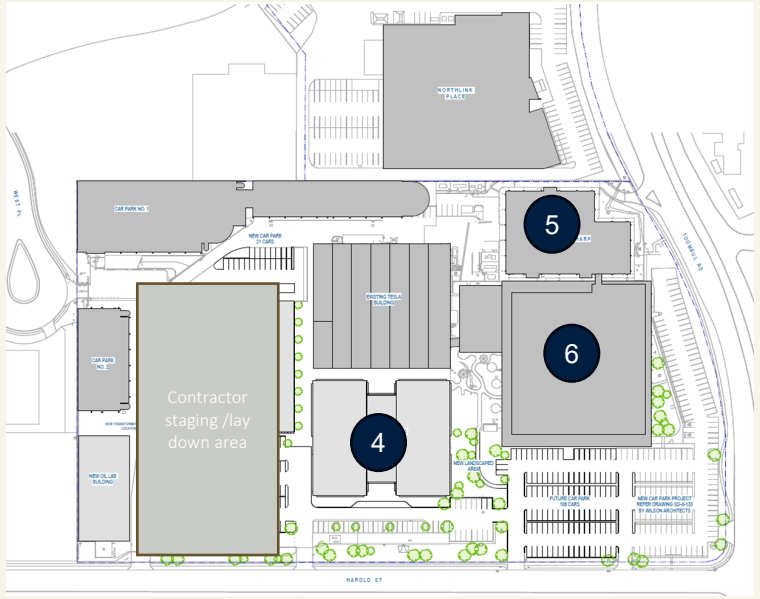
Board and Government approved Option 4 as it addresses all known critical risks, whilst lowering ongoing operational costs associated with facilities management.

Virginia Complex Uplift – Demolish and Rebuild

The Virginia Complex Uplift will follow a staged approach:

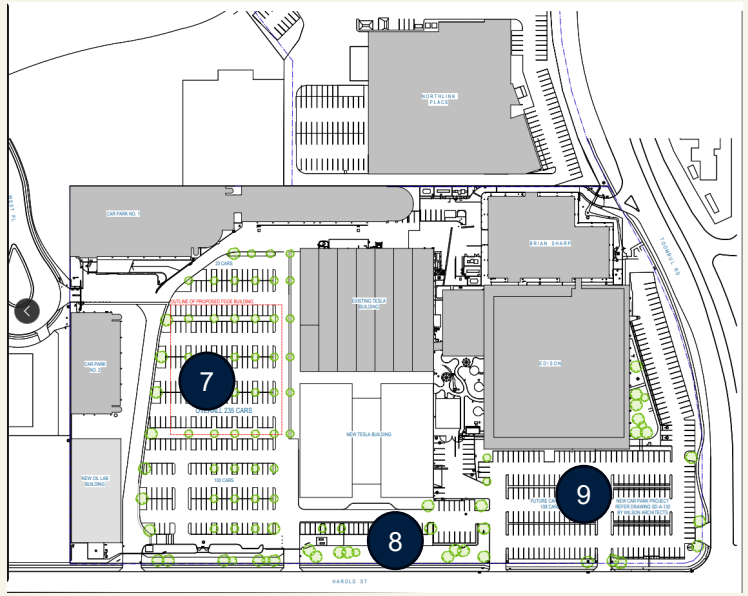
1. **Demolition** of western corner of Tesla warehouse
2. **Demolition** of north-east side of Tesla warehouse
3. **Decommissioning** of Williamson centre





4. **New building** to accomodate approx. 550-750 workspaces
5. **Refitting** Brian Sharp building (44 workstations)
6. **Decommissioning and Demolition** of Edison building

7. **New carpark** (235) next to new building
8. **New visitor only car park** (22)
9. **Reconfiguration** of current driveway and replacement with maximised **car park** (59)



Virginia Complex Uplift – Current Stage

Key activities in **Stage 1** include:

- Ministerial Infrastructure Designation (MID) application
- preparation of associated technical assessment reports
- development of a Significant Procurement Plan

Stage 2 of the project involves the decanting of services and employees in the Tesla and Williamson Buildings to allow commencement of demolition and construction

Powerlink owns a property at Pinkenba (not currently in the Regulatory Asset Base) that could potentially house this workforce. Further work is underway to determine its suitability

The allowance for the next regulatory period includes costs associated with this potential solution.

175 Eagle Farm Road, Pinkenba

11,167 sqm land with two warehouses, office accommodation, and extensive hardstand.

Current status and next steps

Staging of this program of works will be across 2022-27 and 2027-32 regulatory periods

The total forecast capital refit spend for the next regulatory period is $214 million

The Cost Allocation Methodology (CAM) will be applied to apportion expenditure across both regulated and non-regulated business lines

- Approximately $150 million is included in the regulated capital expenditure forecast for 2027-32

We are seeking Board approval for the staging of the Virginia Complex Uplift project and any associated decanting strategy.

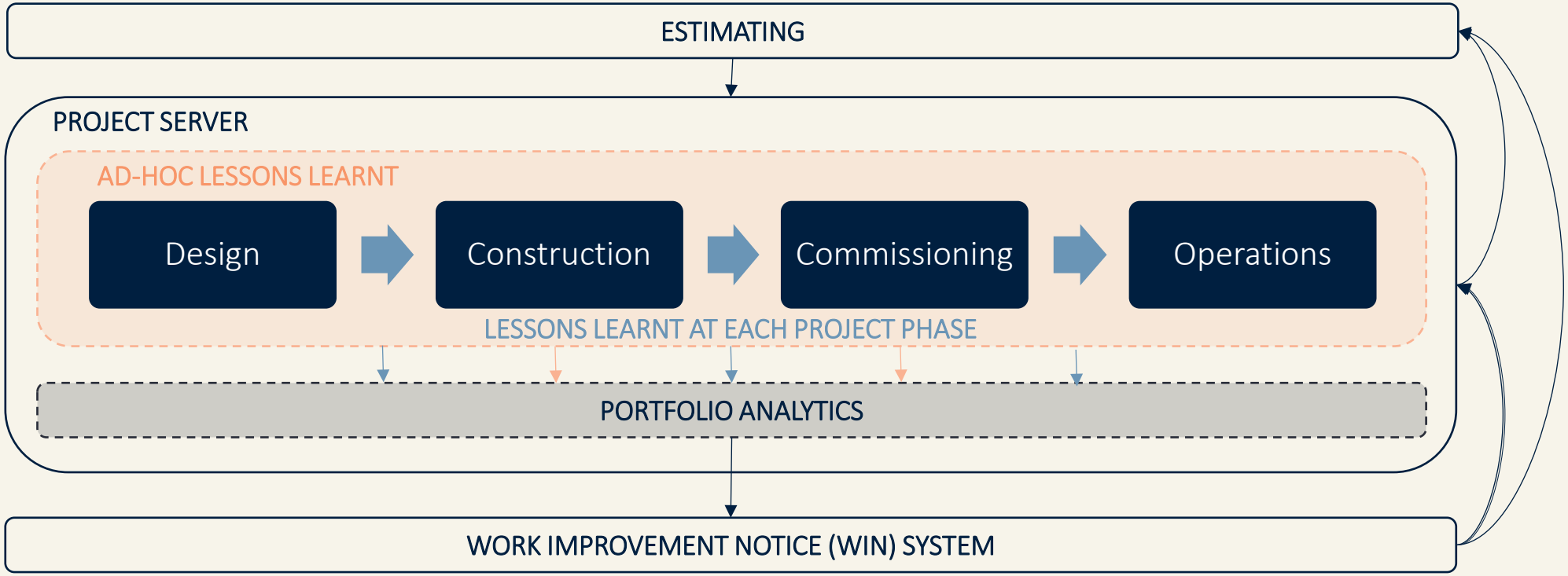
Questions?

Lessons learnt and project deliverability

Kyle Worthing, Manager Projects

Lessons Learnt – Project Overview

Powerlink has a comprehensive **Lessons Learnt process** integrated within its Project Delivery division - this structured process systematically captures and evaluates insights from each project phase, enabling continuous enhancement of future projects



Lessons Learnt – Portfolio Business Improvements

Through review of the Lessons Learnt portfolio analytics, Powerlink identifies themes and trends (same experience across multiple projects) and takes actions utilising the Work Improvement Notice (WIN) System - Business Improvement initiatives are then implemented across the business.

Examples of process improvements to provide benefits:

1. Regulated Network Project Approval Process – Specification

- 'map' the development of estimates during the Concept and Definition phases based on the anticipated cost and other considerations
- enables the 'two stage' approval process to incorporate market confirmed pricing prior to full project approval

2. Project Change Control/Change Request

- reinforce utilisation of Project Server for tracking of Risks and Issues during delivery
- template updated to offer concise identification of primary reasons for change, etc.

Lessons Learnt – Estimating Feedback Loop

A feedback loop from lessons learnt to estimating has been established to ensure future projects consider all previously identified issues

Project Manager utilises the ‘Project Management Plan – Proposal’ template, which includes the below section:

2.6 Applicable Lessons Learned

Applicable lessons learned that have been identified during the Project Proposal phase are as follows:

No	Project Number & Name	Lesson Title	Expected Outcomes	Actual Outcome	Lesson Category	Recommended Changes
1						
2						
3						

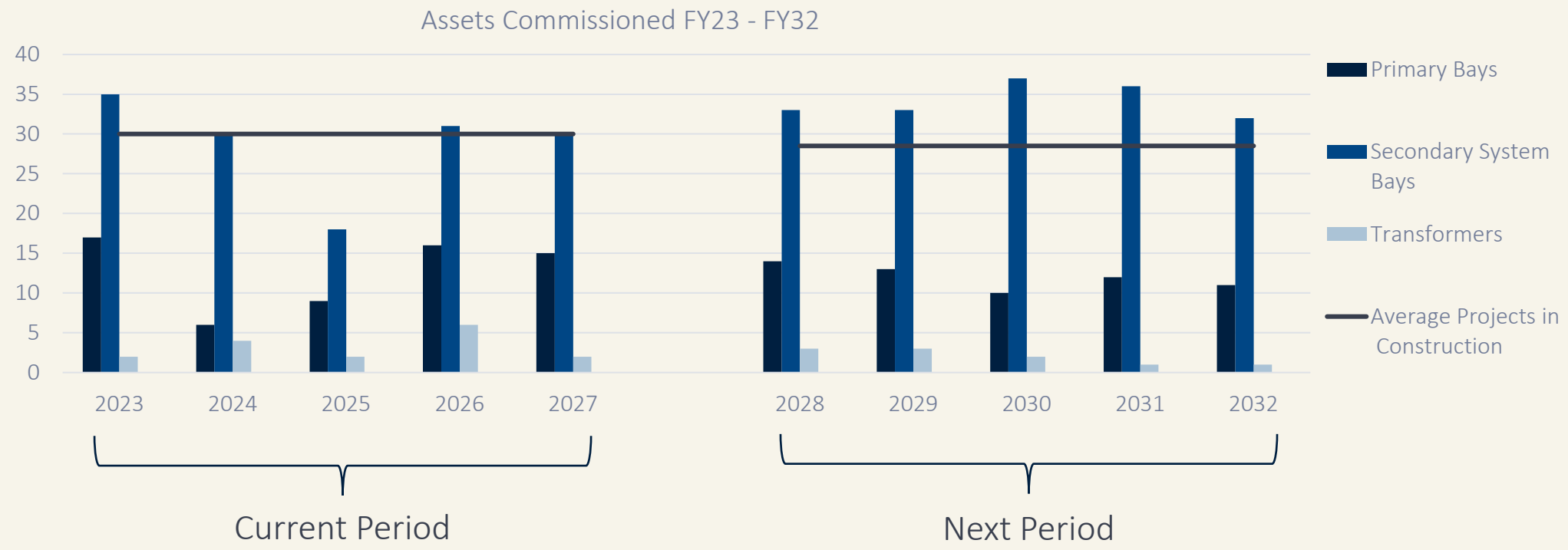
Utilise the project lessons learnt database via PWA Server to complete this section. [Delete this text prior to publication].

Project Manager utilises the lessons learnt database, completes the section and amends the estimate and/or risk allocation accordingly

Project Proposal subject to Estimate Review Meeting - offers managers and wider project team opportunity to review lessons learnt included in estimate and confirm they are suitable and adequate.

Program Management Uplift – Supporting Deliverability

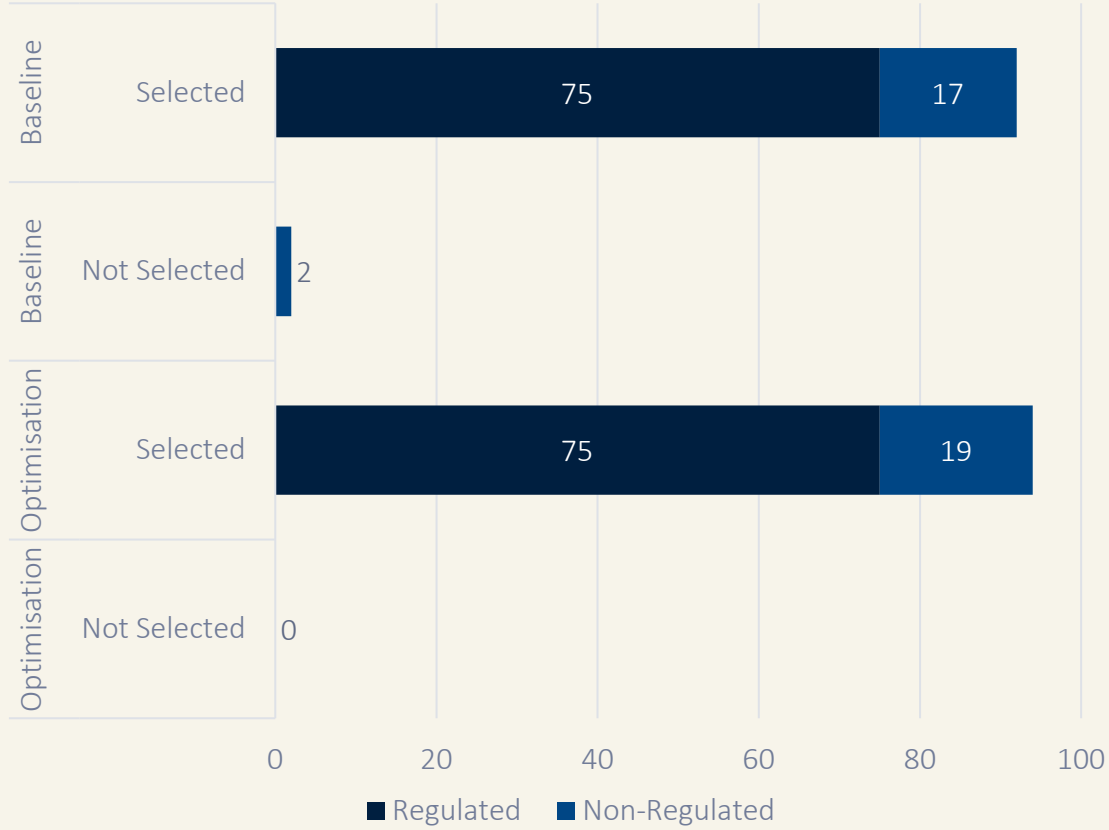
Project, Program and Portfolio Management is a key enabler for the effective and timely delivery of our Regulated Program of Works. When assessing and planning the next period of works. Previous trend data of projects in construction and project type are used to assist in future planning.



Program Delivery Plan – Delivery Optimisation

The Delivery Optimisation Framework was applied to the program of works for the 2027-32 period. This includes those projects proposed in the AER allowance period and other non-regulated projects

Baseline	Details
Criteria	• All planned project works • An allowance for unplanned works • 5-year window
Selected for delivery	92 out of 94 projects selected for delivery
Not-selected for delivery	Two non-regulated projects for completion in December 2027
Deliverability	98% Deliverability



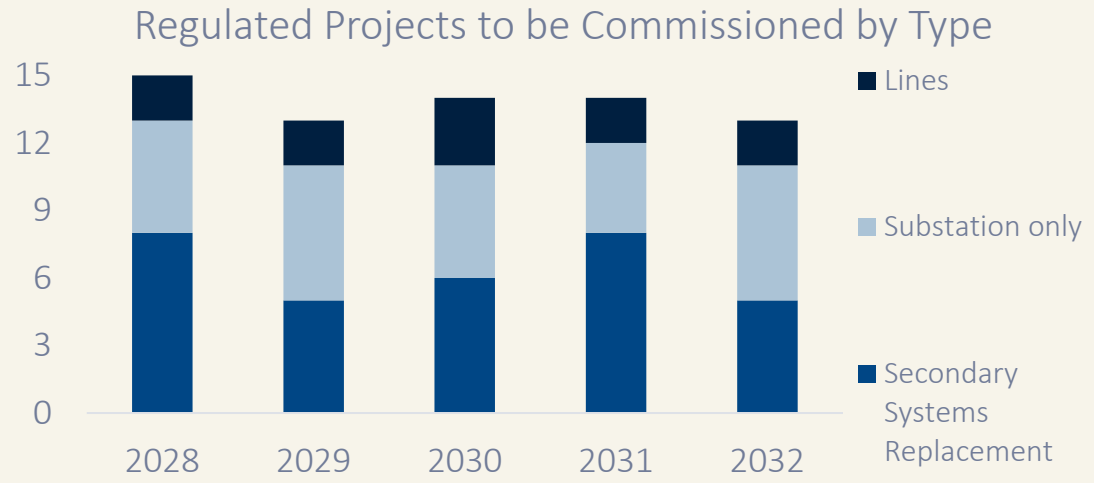
Program Delivery Plan – Program Level Assessment

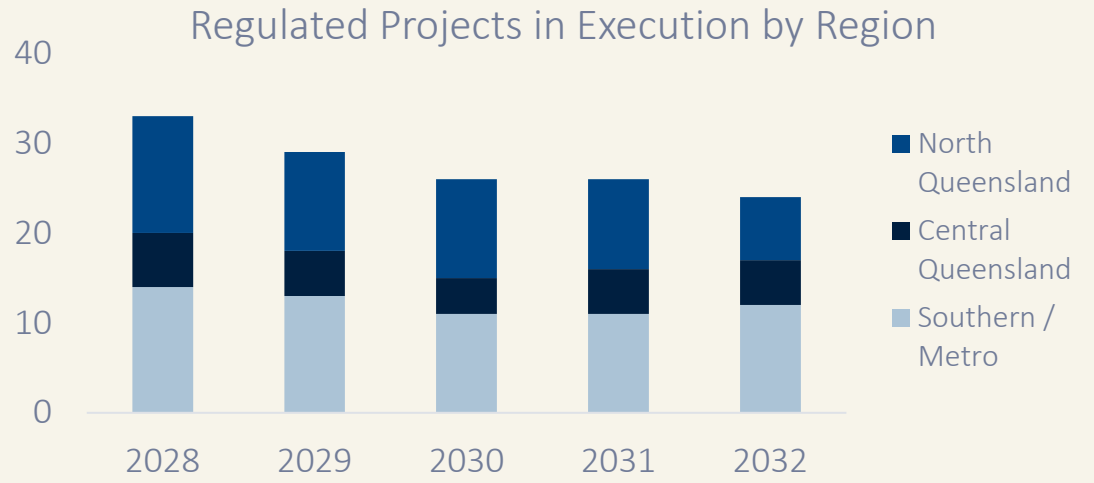
5-Year Delivery Plan Assessment Results:

Project delivery has been strategically phased over the 5-year period, averaging 13-15 large projects commissioned per year

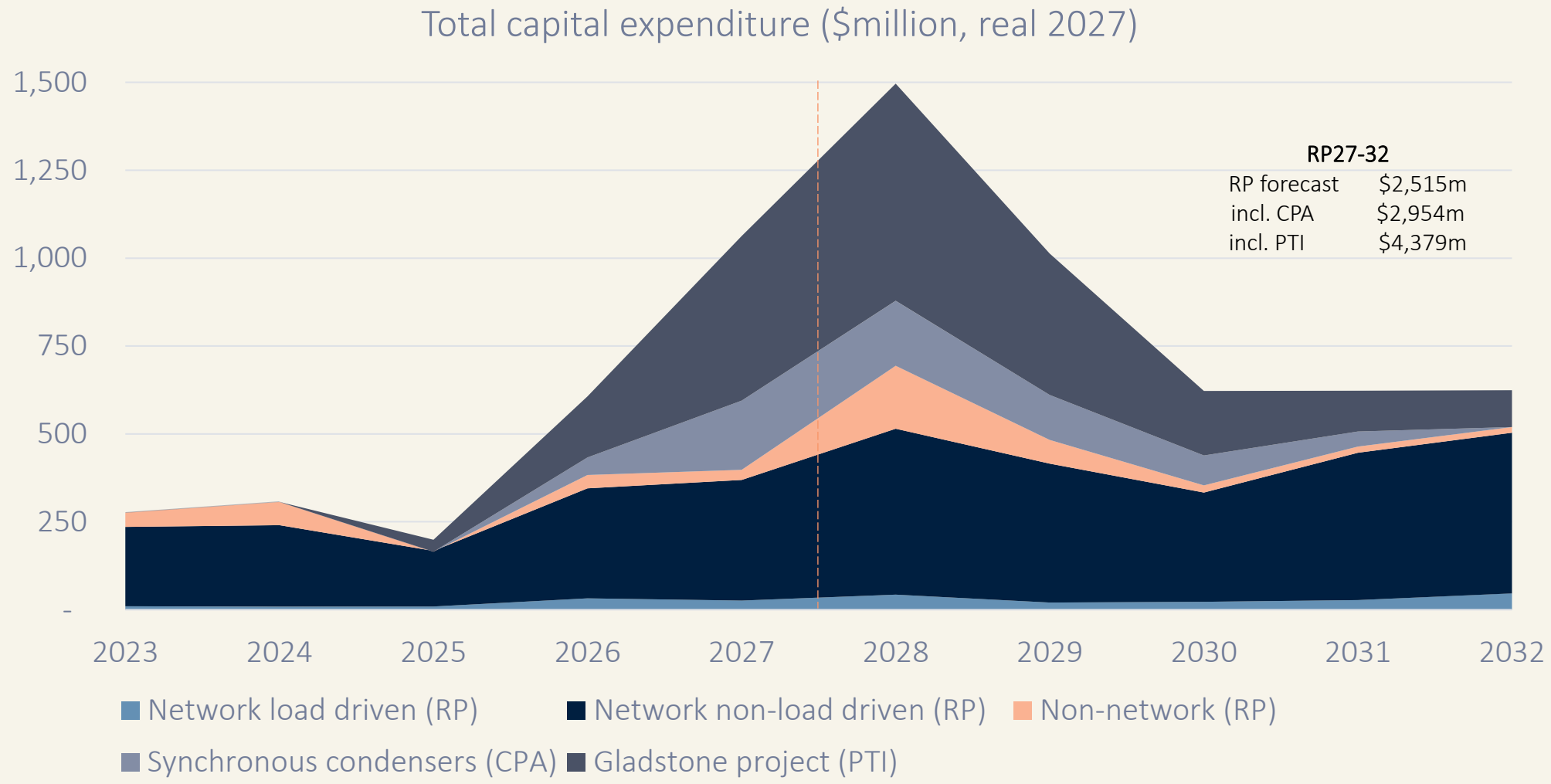
5-Year Delivery Plan Assessment:

- Regulated and Non-regulated priority projects
- Works capacity across regions (North, Central, South, Metro)
  - Resource capacity to meet delivery goals
  - Design capability (internal and external)
  - Contractor availability
- Outage management
- Operational/Maintenance Projects
- Safety, reliability, and regulatory compliance
- Program level governance & monitoring to ensure all stakeholders are aligned to the overall outcome.





Network Capital – Deliverability



All $ values are preliminary

Questions?

Queensland Government Energy Roadmap

	Projects identified in the Roadmap	Treatment in the draft 2027-32 Revenue Proposal
2025-30	Gladstone Project	Not included – addressed by priority transmission investment (PTI) process
	Synchronous condensers	Included in ex-ante capex forecast
	Transformer Capacity	Included under ISP Contingent Projects (Table 5.6)
2030-35	CopperString – Eastern Link	Not included
	Replace existing lines Bouldercombe to Nebo	Included under ISP Contingent Projects (Table 5.6)
	New CQ-SQ Substation	Included under ISP Contingent Projects (Table 5.6)
	Increase transfer capacity to Brisbane	Included in ex-ante capex forecast
	Increase transfer capacity in Gladstone region	Included under ISP Contingent Projects (Table 5.6)
	Additional network upgrades	Included under Contingent Projects (Table 5.5)
	Synchronous condensers	Included under Contingent Projects (Table 5.5)

Queensland Government Energy Roadmap

Proposed treatment in the 2027-32 Revenue Proposal (January 2026)

Gladstone Project:

- Exclude from ex ante capital expenditure forecast – subject to PTI process
- Include revenue and price impacts (assume PTI is approved and full cost recovered through MAR)

CopperString:

- Exclude from ex ante capital expenditure forecast – delivery by Queensland Investment Corporation

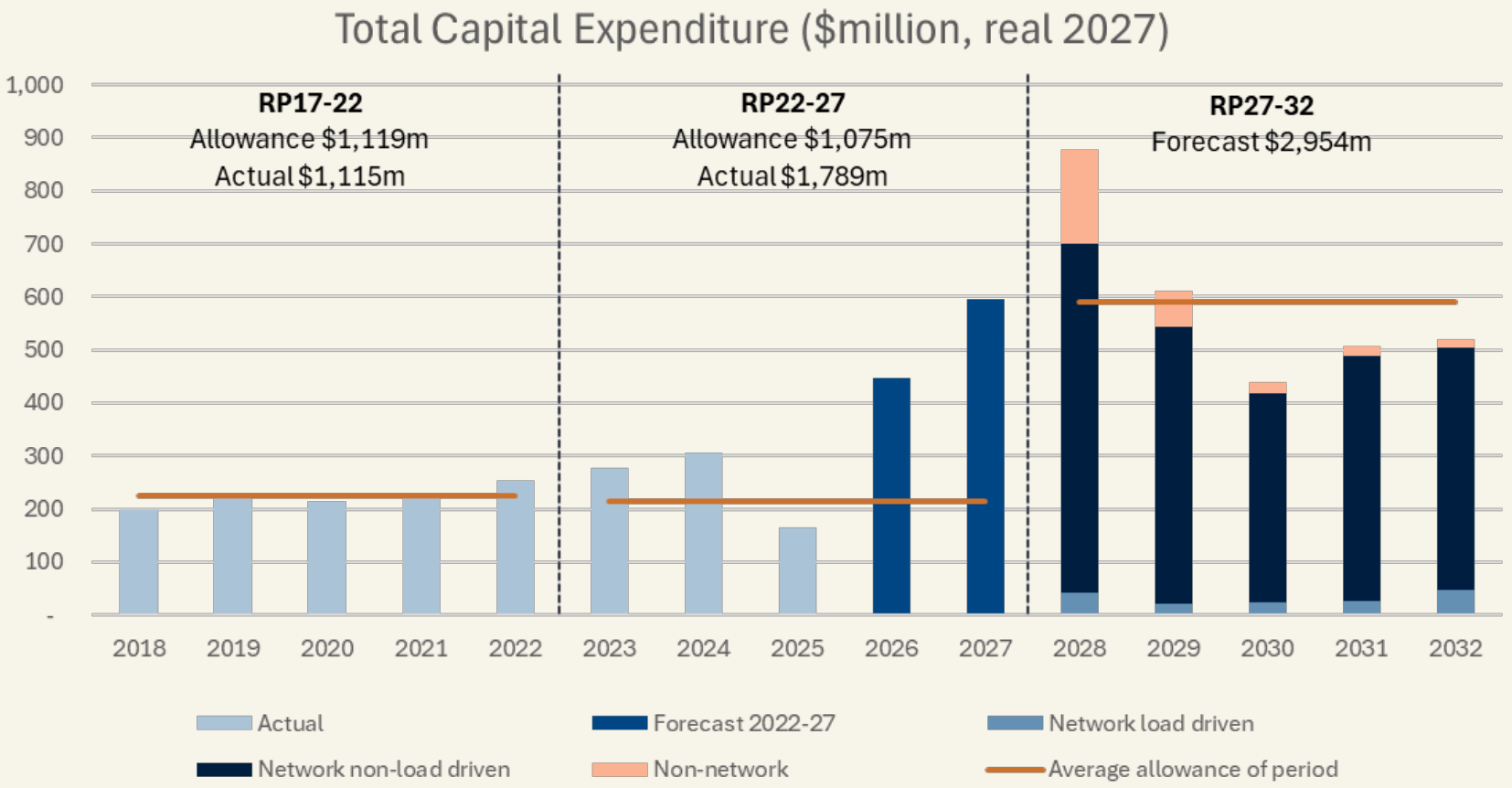
Synchronous condensers (2025-30)

- Exclude from ex ante capital expenditure forecast – subject to contingent project application
- Include revenue and price impacts (assume contingent project is approved)

Other projects

- Include all other projects as contingent projects – no reliance on project status in Integrated System Plan
- Include additional easement projects in ex-ante capital expenditure forecast to preserve contingent project timeframes
    - Approx. $100 million (may be offset by additional deferrals).

October forecast (cut 6.0) – Capex



Increase of $158 million from draft Revenue Proposal

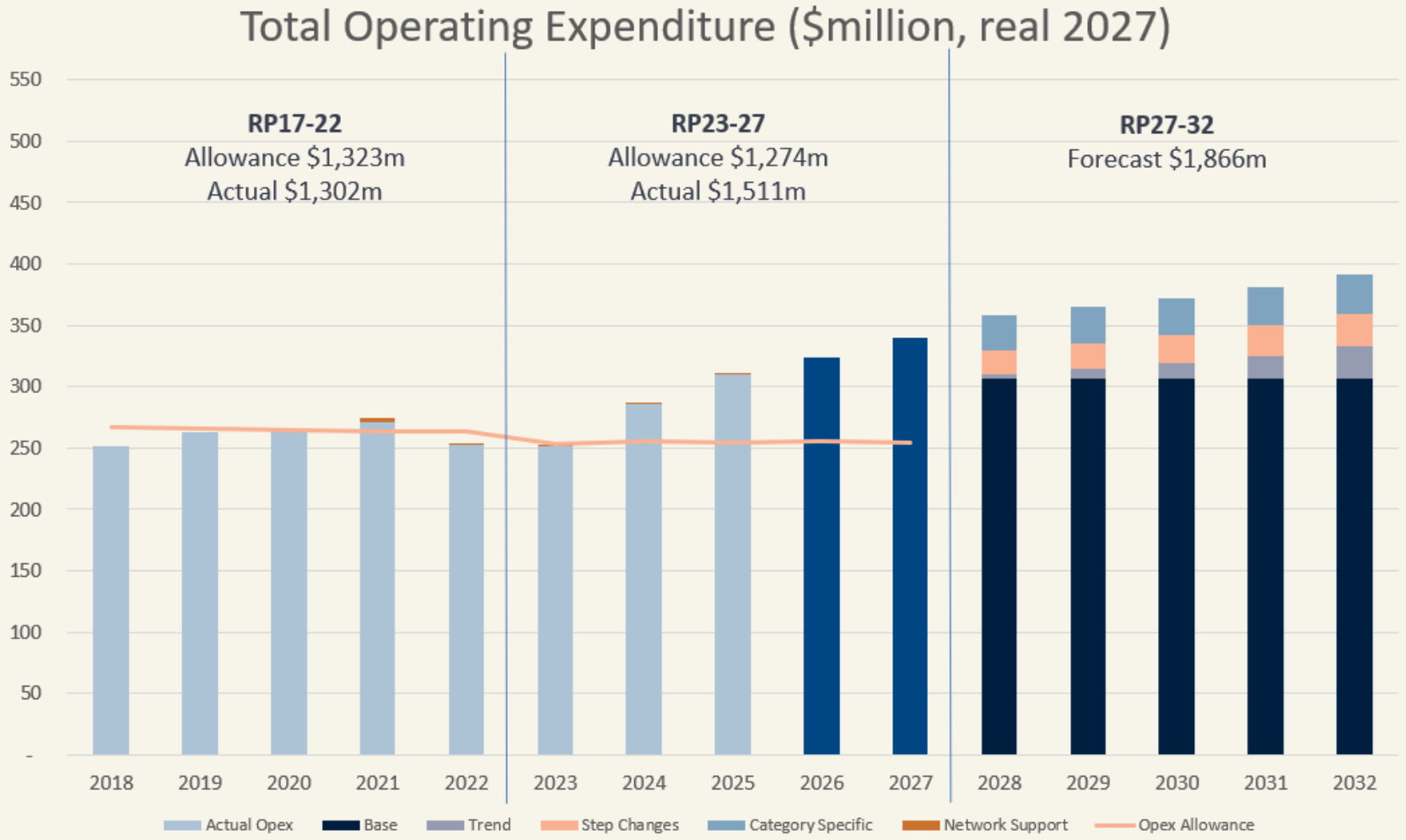
Reflects class 5 estimates for scoped projects and revised cost allocation in line with recent review

Includes approx. $150 million for preliminary easement works – UNDER REVIEW

Profile adjusted to allow for commissioning of synchronous condensers and Gladstone projects in 2029-2030.

All $ values are preliminary

October forecast (cut 6.0) – Opex



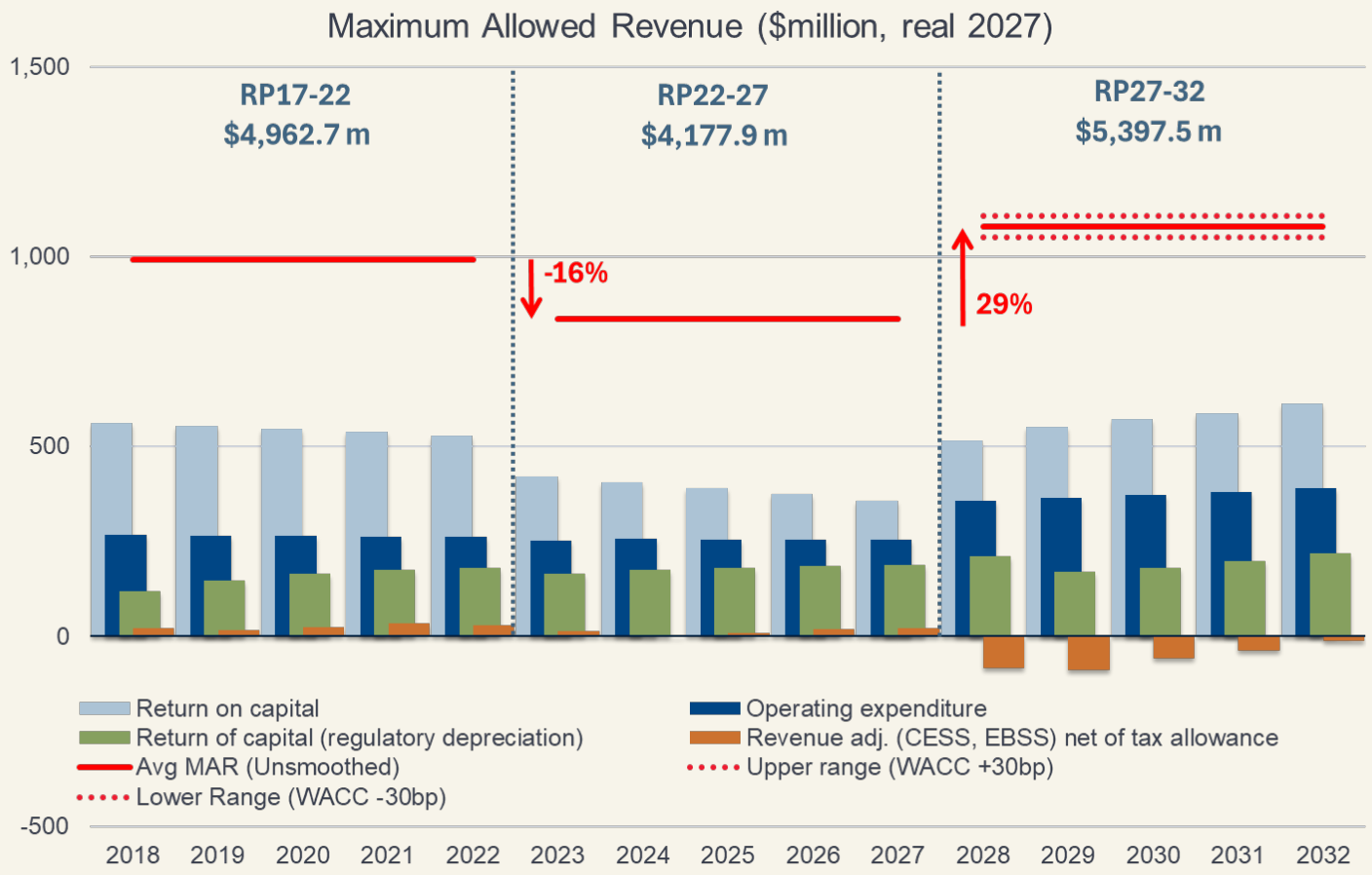
Increase of $35 million from draft Revenue Proposal

Updated output measure weightings and productivity factor based on AER 2025 Preliminary Benchmarking Report

Refined step change costings, insurance forecasts and AEMO Participant and Cyber Security Fees based on current information.

All $ values are preliminary

October forecast (cut 6.0) – MAR



Compared to previous forecast MAR increased

- +$89.3 million or +1.7% (real 2027)
- +$96.6 million or +1.7% (nominal)
- driven by higher opening RAB, capex, opex and WACC +1bp

The increase in the MAR resulted in the following bill impacts (default smoothing)

First year increase (nominal):

- Residential +$13 (+$2 increase)
- Small business +$25 (+$3 increase)

Remaining years increase:

- +3.5% pa (+0.4% increase)

All $ values are preliminary

Questions?

Actions

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	Complete
8.2	Document the methodology used to restate the 2023-27 CESS allowance and circulate to the RPRG	Roger Smith	Complete
9.1	Provide a paper on detail and impacts of FY2025 capex adjustments	Roger Smith	**5/12/25**
9.2	Publish a customer overview on the STPIS and circulate to RPRG	Roger Smith	28/11/25
9.3	Review advice provided by the previous RPRG regarding DMIAM during the 2022-27 revenue determination process	Roger Smith	**28/11/25**
9.4	Provide a paper on alternative output growth measures and application to productivity benchmarking	Michelle Beavis	Complete