10 Maximum Allowed Revenue and Price Impact

10.1 Introduction

This chapter outlines Powerlink's Maximum Allowed Revenue (MAR) and forecast price impacts for the 2027-32 regulatory period.

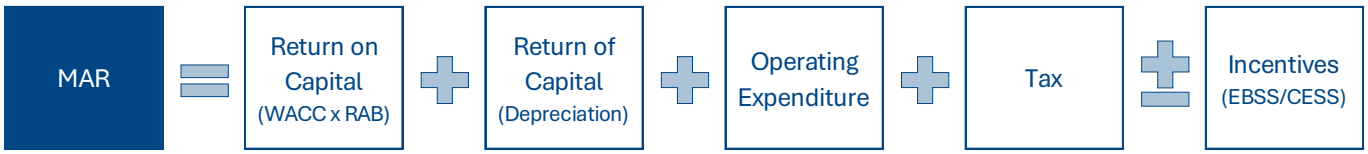
Key highlights:

- Forecast unsmoothed MAR for the 2027-32 regulatory period is $5,702.0 million ($ nominal) or $5,265.3 million ($ real, 2026/27). This is $1,059.0 million (25%) higher than our allowed MAR in real terms for the 2022-27 regulatory period. The increase in MAR is mainly driven by:
    - significantly higher rates of return, reflecting a sharp increase in the interest rate environment relative to the historically low rates in the current regulatory period
    - growth in the Regulatory Asset Base (RAB) due to increased capital expenditure, impacting return on capital and depreciation, and
    - higher operating expenditure, reflecting changes in the operating environment.
- The increases are partly offset by forecast negative revenue adjustments under the Australian Energy Regulator's (AER's) Capital Expenditure Sharing Scheme (CESS) and Efficiency Benefit Sharing Scheme (EBSS).
- The increase in MAR results in a forecast increase in the average indicative transmission price of 5% in nominal terms in the first year of the next regulatory period, with 5% increases in each subsequent year.
- For average residential and small business customers, this represents an indicative increase in the first year of $7 and $14, respectively, based on the assumed tariff and consumption[171].

10.2 Regulatory requirements

We determine the MAR using the building block approach outlined in the National Electricity Rules (Rules)[172]. This approach calculates the unsmoothed annual revenue requirement, as shown in Figure 10.1.

Figure 10.1 - MAR building block approach



WACC: Weighted Average Cost of Capital (rate of return)
RAB: Regulatory Asset Base
EBSS: Efficiency Benefit Sharing Scheme
CESS: Capital Expenditure Sharing Scheme

[171] The transmission component of electricity bills is based on Australian Energy Regulator's (AER) Default Market Offer 2025-26 Final Determination (DMO 7), May 2025 and Energex's 2025-26 Pricing proposal Overview, May 2025. The assumed residential and small business consumption is based on AER's DMO 7 with median energy usage of 4,600 kWh pa and 10,000 kWh pa, respectively.
[172] National Electricity Rules, clause 6A.5.4.

The Rules[173] require that this annual revenue requirement be smoothed using an X-factor, ensuring the net present value (NPV) of the smoothed revenue equals that of the unsmoothed revenue over the regulatory period. Additionally, the smoothed MAR in the final regulatory year should closely align with the unsmoothed MAR.

Within the period, the Rules provide for various adjustments to the MAR, including:

- approved pass throughs[174] (refer Chapter 11 Pass Through Events)
- approved contingent project allowances[175] (refer Chapter 4 Capital Expenditure), and
- updates for other inputs such as inflation and the annual cost of debt update (refer Chapter 8 Rate of Return, Taxation and Inflation), as well as annual Service Target Performance Incentive Scheme outcomes (refer Chapter 13 Incentive Schemes)[176].

10.3 Forecast total revenue

Our total unsmoothed MAR for each year of the 2027-32 regulatory period is shown in Table 10.1. These figures are calculated using the AER's Post-Tax Revenue Model (PTRM)[177], which applies the building block approach to calculate the unsmoothed annual revenue requirement.

Table 10.1 - Unsmoothed revenue requirement ($million nominal)

	2028	2029	2030	2031	2032	Total
Return on capital	523.5	549.7	577.1	608.3	653.4	**2,911.9**
Return of capital (1)	222.0	194.9	207.4	225.9	244.3	**1,094.5**
Operating expenditure	366.2	385.0	393.0	408.8	428.3	**1,981.3**
Revenue adjustments (2)	(109.8)	(106.8)	(83.8)	(53.3)	(31.0)	**(384.8)**
Taxation	23.1	20.9	17.9	19.0	18.1	**99.0**
Unsmoothed revenue requirement	**1,025.0**	**1,043.8**	**1,111.6**	**1,208.6**	**1,313.0**	**5,702.0**

(1) Return of capital is also referred to as regulatory depreciation, refer Chapter 9 Depreciation.
(2) Revenue adjustments comprise CESS and EBSS carryover amounts, refer Chapter 13 Incentive Schemes.

Section 10.5 outlines the approach used to calculate each building block component.

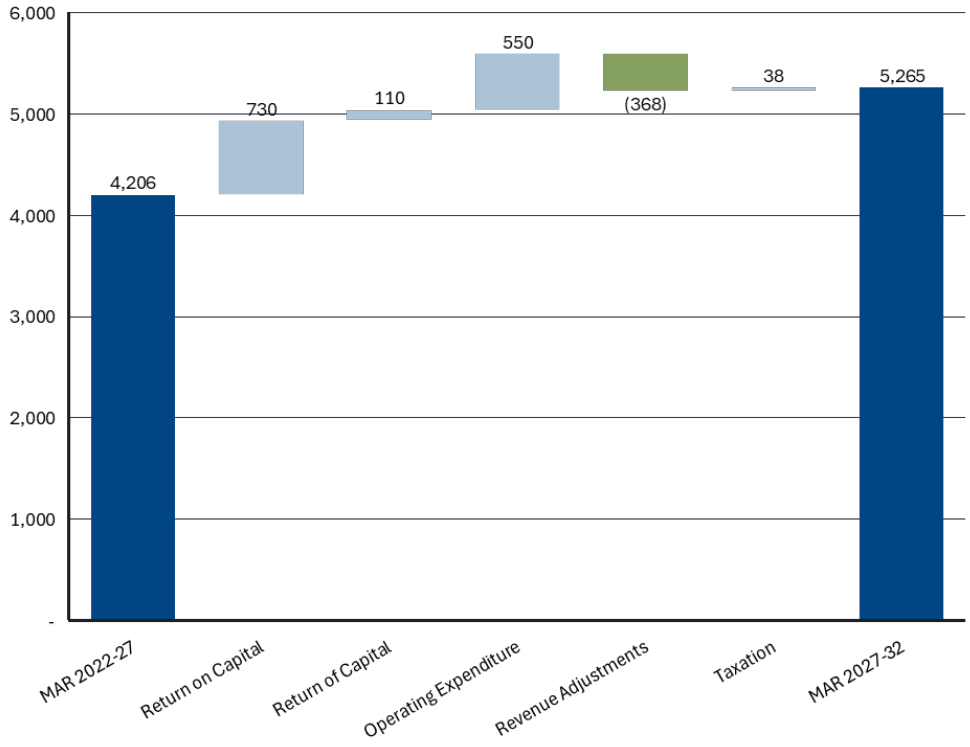
10.4 Change in MAR from the 2022-27 regulatory period

Our unsmoothed MAR is forecast to increase by $1,059.0 million (25%) in real 2026/27 terms compared to our allowed MAR for the 2022-27 regulatory period.

Figure 10.2 shows the key drivers of revenue change between our current and next regulatory periods.

[173] National Electricity Rules, clause 6A.6.8.
[174] National Electricity Rules, clause 6A.7.2, 6A.7.2A and 6A.7.3.
[175] National Electricity Rules, clause 6A.8.
[176] National Electricity Rules, clause 6A.7.4.
[177] Electricity Transmission Network Service Provider Post-Tax Revenue Model (version 6), Australian Energy Regulator, March 2025.

Figure 10.2 - Drivers of unsmoothed MAR change ($million real, 2026/27)



In summary, these changes reflect:

- **Return on capital:** increase of $730.2 million, driven by a higher rate of return (refer Chapter 8 Rate of Return, Taxation and Inflation) and growth in the RAB (refer Chapter 7 Regulatory Asset Base). The RAB growth reflects:
    - higher capital expenditure in the current 2022-27 regulatory period, driven by a significantly different operating environment, including expanded investment needs, new regulatory obligations, and substantial cost pressures from global supply chain disruptions, inflation and the energy system transition (refer Chapter 4 Capital Expenditure), and
    - higher forecast capital expenditure in the 2027-32 regulatory period, driven by reinvestment in ageing network assets, system security needs, upgrades to our Virginia complex and the establishment of facilities in Central Queensland to support the network outside of South-East Queensland (refer Chapter 4 Capital Expenditure).
- **Return of capital:** increase of $109.6 million, reflecting growth in the RAB (refer Chapter 9 Depreciation).
- **Operating expenditure:** increase of $550.0 million, driven by changes in the operating environment including increased demand for skilled labour, greater operating complexity and new regulatory requirements (refer Chapter 5 to Operating Expenditure).
- **Revenue adjustments:** reduction of $368.5 million, driven by forecast net carryovers under CESS and EBSS due to additional capital and operating expenditure compared to allowances in the current 2022-27 period (refer Chapter 13 Incentive Schemes).
- **Taxation:** increase of $37.6 million, primarily due to the higher MAR (refer Chapter 8 Rate of Return, Taxation and Inflation).

10.5 Our approach

We used the AER's PTRM to calculate the MAR. We have engaged with our customers extensively on key changes to our approach that impact our forecast MAR (refer Chapter 3 Customer Engagement), such as our capital and operating expenditure forecasts.

The AER will update its revenue building blocks for the relevant inputs and forecasts that underpin the MAR in its Final Decision in our 2027-32 Revenue Proposal, which is due to be published in April 2027.

10.5.1 Regulatory Asset Base

The value of our RAB determines our return on and return of capital allowances. Our forecast opening RAB at 1 July 2027 is $8,322.6 million ($ nominal). Our approach to calculating this is outlined in Chapter 7 Regulatory Asset Base.

We have forecast a roll-forward of our RAB for each year of the 2027-32 regulatory period based on our forecasts for inflation, capital expenditure and regulatory depreciation. This is summarised in Table 10.2.

Table 10.2 - Forecast RAB roll-forward 2027-32 regulatory period ($million nominal)

	2028	2029	2030	2031	2032
Opening RAB	8,322.6	8,636.6	8,978.1	9,238.6	9,614.0
Capital expenditure, as incurred (1)	536.0	536.5	467.9	601.3	595.1
Regulatory depreciation	(222.0)	(194.9)	(207.4)	(225.9)	(244.3)
Closing RAB	**8,636.6**	**8,978.1**	**9,238.6**	**9,614.0**	**9,964.8**

(1) Net of disposals, adjusted for inflation and one-half Weighted Average Cost of Capital (WACC) allowance[178]. The roll-forward also reflects capitalised movements in provisions.

10.5.2 Return on capital

The return on capital is calculated by applying our rate of return (also referred to as the Weighted Average Cost of Capital, or WACC) to the opening RAB in each year of the regulatory period, as detailed in Chapter 8 Rate of Return, Taxation and Inflation.

Our return on capital forecast is presented in Table 10.3.

Table 10.3 - Return on capital ($million nominal)

	2028	2029	2030	2031	2032	Total
Opening RAB	8,322.6	8,636.6	8,978.1	9,238.6	9,614.0	n/a
Rate of return	6.29%	6.37%	6.43%	6.58%	6.80%	n/a
Return on capital	**523.5**	**549.7**	**577.1**	**608.3**	**653.4**	**2,911.9**

[178] The PTRM calculates the return on capital based on the opening RAB and capital expenditure is assumed to occur half-way through the year. To address this timing difference, a half WACC is added to compensate for the six-month period before capital expenditure is included in the RAB.

10.5.3 Return of capital

Our return of capital (also referred to as regulatory depreciation) is calculated by deducting the inflation adjustment made to the RAB from forecast depreciation, as shown in Table 10.4.

More information on our approach to calculating depreciation is provided in Chapter 9 Depreciation.

Table 10.4 - Return of capital ($million nominal)

	2028	2029	2030	2031	2032	Total
Straight-line depreciation (1)	438.4	419.5	440.8	466.1	494.3	**2,259.1**
Less inflation adjustment opening RAB	(216.4)	(224.5)	(233.4)	(240.2)	(250.0)	**(1,164.5)**
Return of capital	**222.0**	**194.9**	**207.4**	**225.9**	**244.3**	**1,094.5**

(1) Straight-line depreciation is a method of calculating depreciation whereby an asset is expensed consistently throughout its useful life.

10.5.4 Operating expenditure

Our operating expenditure forecast is detailed in Chapter 5 Operating Expenditure and is summarised in Table 10.5.

Table 10.5 - Operating expenditure ($million nominal)

	2028	2029	2030	2031	2032	Total
Controllable operating expenditure and insurances	346.4	364.1	371.0	385.6	403.8	**1,870.9**
AEMO participant and cyber security fee	15.4	16.3	17.3	18.3	19.4	**86.7**
Debt raising costs	4.4	4.6	4.8	4.9	5.1	**23.7**
Total operating expenditure	**366.2**	**385.0**	**393.0**	**408.8**	**428.3**	**1,981.3**

10.5.5 Taxation

Our forecast for taxation, applying a value for imputation credits of 0.57 consistent with the AER's 2022 Rate of Return Instrument (refer Chapter 8 Rate of Return, Taxation and Inflation), is presented in Table 10.6.

Table 10.6 - Taxation ($million nominal)

	2028	2029	2030	2031	2032	Total
Corporate tax	53.6	48.6	41.7	44.3	42.0	**230.2**
Value of imputation credits	(30.6)	(27.7)	(23.8)	(25.2)	(24.0)	**(131.2)**
Taxation	**23.1**	**20.9**	**17.9**	**19.0**	**18.1**	**99.0**

10.5.6 Revenue adjustments

Any efficiency gains or losses arising from the EBSS and CESS in the 2022-27 regulatory period are carried over as an adjustment to the MAR in the 2027-32 regulatory period (referred to as a carryover amount).

Our approach to forecasting EBSS and CESS carryover amounts, and CESS true-up carryover, from the 2022-27 regulatory period is described in Chapter 13 Incentive Schemes, while the carryovers are summarised in Table 10.7.

Table 10.7 - EBSS and CESS carryover amounts ($million nominal)

	2028	2029	2030	2031	2032	Total
EBSS carryover	(81.8)	(78.1)	(54.3)	(23.0)	-	**(237.2)**
CESS carryover	(28.0)	(28.7)	(29.5)	(30.2)	(31.0)	**(147.4)**
CESS true-up for 2021/22	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	**(0.2)**
Total revenue adjustments	**(109.8)**	**(106.8)**	**(83.8)**	**(53.3)**	**(31.0)**	**(384.8)**

10.6 X-factors and smoothed revenue

We apply an X-factor to the unsmoothed revenue requirement to minimise revenue fluctuations and pricing impacts on consumers, in accordance with the Rules[179]. This smoothed revenue profile is the MAR that is used as the basis upon which our prescribed transmission prices are set each year[180].

Within the regulatory period, our MAR will be updated each year to reflect various factors including actual inflation, changes to the annual return on debt, and any approved cost pass through (refer Chapter 11 Pass Through Events) or contingent projects triggered during the regulatory control period (refer Chapter 4 Capital Expenditure and Appendix 4.04 Contingent Projects).

10.6.1 Revenue smoothing

We engaged with the Revenue Proposal Reference Group (RPRG) to ensure our approach to revenue smoothing was transparent and genuinely reflected customer interests. Through this process, we explored different options and put forward an alternative smoothing approach designed to balance revenue recovery with anticipated energy demand growth over the 2027-32 regulatory period, aiming to provide customers with a smoother, more predictable price path.

We empowered the RPRG to determine the approach to be included in our Revenue Proposal. The RPRG specifically supported this approach to revenue smoothing, and this now forms the basis of our revenue forecast in this 2027-32 Revenue Proposal. The resulting X-factors and smoothed revenue profile are shown in Table 10.8.

In the final year of the 2027-32 regulatory period, the smoothed revenue is 2.03% higher than the unsmoothed revenue, which is within the AER's 3% threshold[181].

[179] National Electricity Rules, clause 6A.6.8(c).
[180] The net present value of total revenue over the regulatory period is the same for the smoothed and unsmoothed revenue profiles.
[181] Final decision – Electricity transmission network service providers PTRM handbook, Australian Energy Regulator (AER), March 2025.

Table 10.8 - X-factors and smoothed MAR ($million nominal)

	2028	2029	2030	2031	2032	Total
Unsmoothed revenue requirement	1,025.0	1,043.8	1,111.6	1,208.6	1,313.0	**5,702.0**
X-factors	(2.54%)	(3.00%)	(4.25%)	(5.94%)	(7.38%)	
Smoothed MAR	**989.8**	**1,046.0**	**1,118.8**	**1,216.0**	**1,339.7**	**5,710.2**

10.7 Average indicative price path

Each year we calculate our annual prescribed transmission service charges consistent with our approved Pricing Methodology (refer Chapter 14 Pricing Methodology), which must comply with the requirements of the Rules and the AER's 2025 Transmission Pricing Methodology Guidelines[182].

Powerlink's contribution to the average Queensland electricity bill is currently estimated at 6.7% for households and 6.5% for small businesses[183]. This equates to approximately $148 per annum for residential customers[184] and $288 per annum for small businesses[185].

To provide the indicative impact of our Revenue Proposal on average transmission prices, we divide our forecast MAR by forecast energy delivered in Queensland in each year of the 2027-32 regulatory period. Based on our forecast smoothed revenue, the indicative impact on the transmission component of electricity bills in the first year of the next regulatory period (2027/28) would be:

- **Residential -** a nominal increase of $7 (5%), real increase of approximately $3 (2%).
- **Small business -** a nominal increase of $14 (5%), real increase of approximately $6 (2%).

For the remainder of the 2027-32 regulatory period, the transmission component of electricity bills is forecast to increase by approximately 5% each year in nominal terms[186].

The indicative impact of our forecast revenue on the transmission component of average annual electricity bills in each year of the 2027-32 regulatory period is shown in Table 10.9.

Table 10.9 - Indicative impact on transmission component of average annual electricity bills ($ nominal)

	2027	2028	2029	2030	2031	2032
Residential annual bill	148	155	163	171	179	188
Annual change		7	8	8	8	9
Small business	288	302	317	332	349	366
Annual change		14	15	15	16	17

[182] Electricity Transmission Network Service Providers Pricing Methodology Guidelines, Australian Energy Regulator, July 2025.
[183] Default Market Offer 2025-26 Final Determination, Australian Energy Regulator, May 2025; and 2025-26 Pricing Proposal Overview, Energex, May 2025.
[184] Based on the AER's residential median energy usage of 4,600kWh per annum (May 2025).
[185] Based on the AER's small business median energy usage of 10,000kWh per annum (May 2025).
[186] Based on forecast energy delivered per AEMO's Electricity Statement of Opportunities 2025.

10.7.1 Other customer pricing impacts

Throughout our engagement, our customers and other stakeholders have emphasised the importance of transparency in cumulative customer pricing impacts. For example, the potential pricing impacts associated with Priority Transmission Investment (PTI) projects and contingent projects subject to a Contingent Project Application (CPA) in the current period, as these are subject to regulatory mechanisms outside the revenue determination process.

We have included an overview of these projects and an analysis of the potential pricing impacts in Appendix 10.01 Pricing Impact Scenarios.