13 Incentive Schemes

13.1 Introduction

This chapter outlines net carryover amounts from incentive schemes in the current 2022-27 regulatory period, and Powerlink's proposed targets for the Efficiency Benefit Sharing Scheme (EBSS) and the Capital Expenditure Sharing Scheme (CESS) for the 2027-32 regulatory period, for operating and capital expenditure respectively.

This chapter also outlines Powerlink's performance under the Service Target Performance Incentive Scheme (STPIS) in the current 2022-27 regulatory period, as well as our proposed STPIS values and targets for the 2027-32 regulatory period. The chapter also addresses our approach in respect to the Demand Management Innovation Allowance Mechanism (DMIAM).

Key highlights:

- Under the EBSS, we estimate a net negative carryover amount from the 2022-27 regulatory period of $225.0 million ($ real, 2026/27), which will reduce the Maximum Allowed Revenue (MAR) for the 2027-32 regulatory period.
- We propose that $1,730.2 million ($ real, 2026/27) of our forecast operating expenditure for the 2027-32 regulatory period be subject to the EBSS.
- Under the CESS, we estimate a net negative carryover amount from the 2022-27 regulatory period of $136.4 million ($ real, 2026/27) and a CESS true-up for 2021/22 of negative $0.1 million ($ real, 2026/27), which will reduce the MAR for the 2027-32 regulatory period.
- We propose that $2,484.5 million ($ real, 2026/27) of our forecast capital expenditure for the 2027-32 regulatory period be subject to the CESS.
- Under the STPIS, we have maintained or improved our STPIS network performance for the current 2022-27 regulatory period and we continue to manage market impacts by applying prudent measures and behaviours.
    - Our Market Impact Component (MIC) performance has been impacted by factors largely outside our control.
    - We propose Service Component (SC) targets consistent with the Australian Energy Regulator's (AER's) historical data ranges.
- We will not seek a DMIAM allowance for the 2027-32 regulatory period.

13.2 Regulatory requirements

In its Final Decision for our 2022-27 revenue determination, the AER applied version 2 (November 2013) of the EBSS, and the CESS as set out in version 1 (November 2013) of the Capital Expenditure Incentive Guideline[206].

In its Framework and Approach paper for Powerlink[207], the AER states that it intends to continue to apply the EBSS for our 2027-32 regulatory period, but will confirm this approach in its Final Decision, and that it will apply the CESS as set out in the updated Capital Expenditure Incentive Guideline as published in August 2025.

[206] Final decision Powerlink Queensland transmission determination 2022 to 2027, Australian Energy Regulator, April 2022, pages 63-64.
[207] Framework and approach Powerlink transmission determination 2027-32, Australian Energy Regulator, July 2025, pages 3-5.

We have calculated net carryover amounts from the 2022-27 regulatory period and set our EBSS and CESS targets for the 2027-32 regulatory period consistent with the relevant incentive schemes identified above.

The Rules[208] require that Powerlink include proposed values for the STPIS parameters as part of our Revenue Proposal. For the current 2022-27 regulatory period, we are subject to version 5 of the STPIS (October 2015). The AER, in its Framework and Approach paper for Powerlink[209], confirmed that it will apply version 6 of the STPIS (April 2025) for the 2027-32 regulatory period.

13.3 Efficiency Benefit Sharing Scheme

The EBSS is intended to provide a continuous incentive for network service providers to pursue efficiency improvements in operating and maintenance expenditure.

13.3.1 Carryover amount from the 2022-27 regulatory period

Under the EBSS, our MAR for the 2027-32 regulatory period is adjusted for approximately 30% of any operating expenditure efficiency gain or loss accrued during the 2022-27 regulatory period[210] (the carryover amount). Our total EBSS carryover amount from the 2022-27 regulatory period is estimated as $225.0 million (negative), as shown in Table 13.1.

Table 13.1 - EBSS carryover amount ($million real, 2026/27)

	2028	2029	2030	2031	2032	Total
EBSS carryover	(79.8)	(74.2)	(50.3)	(20.8)	-	(225.0)

Our calculated EBSS carryover is based on the difference between our actual/forecast operating expenditure and the AER allowance (target for the purpose of the EBSS) for the first three years of the 2022-27 regulatory period and an estimate of that difference for the last two years (2025/26 and 2026/27).

The approved network support cost pass throughs for 2022/23 to 2024/25 have been included in the total operating expenditure allowance. We have also adjusted our forecast and actual operating expenditure in each year of the 2022-27 regulatory period for inflation and approved excludable costs, including debt raising costs and network support costs.

Movements in provisions related to operating expenditure of $20.1 million have also been excluded from actual operating expenditure in years 2022/23 to 2024/25 in the EBSS model, consistent with advice provided by the AER.

[208] National Electricity Rules, Schedule 6A.1, clause S6A.1.3(2).
[209] Framework and approach Powerlink transmission determination 2027-32, Australian Energy Regulator, July 2025, p.5.
[210] Efficiency Benefit Sharing Scheme for Electricity Network Service Providers, Australian Energy Regulator, November 2013, Section 1.3.

13.3.2 EBSS target for the 2027-32 regulatory period

Our EBSS target for the 2027-32 regulatory period is $1,730.2 million, comprising our operating expenditure forecast less category specific expenditure, as shown in Table 13.2.

Table 13.2 - EBSS target ($million real, 2026/27)

	2028	2029	2030	2031	2032	Total
Operating expenditure forecast	356.9	365.8	363.9	368.9	376.7	**1,832.2**
Less excluded costs						
Debt raising costs	4.3	4.3	4.4	4.4	4.5	**22.0**
Network support costs	-	-	-	-	-	**-**
AEMO participant and cyber security fees	15.0	15.5	16.0	16.5	17.0	**80.1**
EBSS target	**337.6**	**345.9**	**343.5**	**347.9**	**355.2**	**1,730.2**

13.4 Capital Expenditure Sharing Scheme

13.4.1 Carryover amount from the 2022-27 regulatory period

As with the EBSS, the CESS requires that we adjust our MAR for the 2027-32 regulatory period for our share (30%) of any capital expenditure efficiency gain or loss from the 2022-27 regulatory period (the carryover amount). Our total CESS carryover amount from the 2022-27 regulatory period is estimated as $136.4 million (negative), shown in Table 13.3.

Table 13.3 - CESS carryover amount ($million real, 2026/27)

	2028	2029	2030	2031	2032	Total
CESS carryover	(27.3)	(27.3)	(27.3)	(27.3)	(27.3)	**(136.4)**

This calculation is based on the difference between our actual/forecast capital expenditure and the AER allowance (target for the purpose of the CESS) for the first three years of the 2022-27 regulatory period and an estimate of that difference for the last two forecast years (2025/26 and 2026/27).

We have also adjusted our forecast and actual capital expenditure in each year of the 2022-27 regulatory period for inflation.

In our draft Revenue Proposal, published in September 2025, we proposed an alternative approach to the calculation of net carryovers under the CESS. This was to reflect the unprecedented increases in the costs of major plant items, materials and skilled resources experienced during the 2022-27 regulatory period, which were outside Powerlink's control (refer Chapter 2 Operating Environment). However, following feedback from the AER and the Revenue Proposal Reference Group (RPRG), we have adopted the AER's standard CESS methodology in calculating the net carryover consistent with version 1 (November 2013) of the Capital Expenditure Incentive Guideline.

13.4.2 CESS true-up for 2021/22 actuals

The CESS true-up requires that we adjust our MAR for the last year of the previous 2017-22 regulatory period (2021/22) to account for any difference between the forecast and actual capital expenditure. Our total CESS true-up amount from the 2017-22 regulatory period is $0.1 million (negative), shown in Table 13.4.

Table 13.4 - CESS true-up ($million real, 2026/27)

	2028	2029	2030	2031	2032	Total
CESS true-up	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	**(0.1)**

13.4.3 CESS target for the 2027-32 regulatory period

Our CESS target for the 2027-32 regulatory period is $2,484.5 million, comprising our capital expenditure forecast net of disposals less movements in provisions, as shown in Table 13.5.

Table 13.5 - CESS target ($million real, 2026/27)

	2028	2029	2030	2031	2032	Total
Capital expenditure forecast (net of disposals)	516.3	503.5	428.3	535.4	516.0	**2,499.5**
Adjustments						
Movement in provisions	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	**(15.0)**
CESS target	**513.3**	**500.5**	**425.3**	**532.4**	**513.0**	**2,484.5**

Adjustments may be made during the 2027-32 regulatory period for any capital expenditure approved by the AER for contingent projects that are triggered during the period. Our proposed contingent projects are outlined in our capital expenditure forecast (refer Chapter 4 Capital Expenditure).

13.5 Service Target Performance Incentive Scheme

13.5.1 Outcomes for the 2022-27 regulatory period

The three components to the STPIS are the Service Component (SC), Market Impact Component (MIC) and Network Capability Component (NCC).

While our STPIS performance demonstrates continued improvement, MIC performance has been adversely impacted by factors largely outside of our control as acknowledged in the transmission STPIS review[211] and in the AER's Final Decision on its 2025 STPIS (version 6)[212]. Key factors include the move towards geographically dispersed, weather-dependent generation and significant transmission investment to integrate new generation and storage, which has led to more planned outages and introduced considerable complexity in outage scheduling, which reduces the ability to minimise market impacts. Our STPIS outcomes for the SC, MIC and NCC for the current 2022-27 regulatory period are summarised in Table 13.6.

STPIS operates and data is reported to the AER on a calendar year basis. As our current regulatory period commenced on 1 July 2022, the information below reflects performance for the second half of that year. The AER's 2015 STPIS requires that a two-year rolling average be used to report the SC performance of the unplanned outage circuit event rate and average outage duration.

[211] Electricity transmission network service providers service target performance incentive scheme final amendments explanatory statement, Australian Energy Regulator, April 2025, page 11.
[212] Electricity transmission network service provider Service target performance incentive scheme version 6, Australian Energy Regulator, April 2025.

Table 13.6 - Historical STPIS annual compliance performance 2022 2H to 2025

Parameter	Unit of Measure	2022-27 Annual Target	Calendar Year 2022 2H	2023	2024	2025[3]
Service Component						
Unplanned outage circuit event rate [1]						
Lines Event Rate – Fault	Rate	17.03	7.39	7.59	9.15	11.73
Transformer Event Rate – Fault	Rate	16.81	9.06	12.31	12.44	19.49
Reactive Plant Event Rate – Fault	Rate	25.65	15.04	19.55	20.61	19.78
Lines Event Rate – Forced	Rate	17.02	8.56	11.38	11.11	12.70
Transformer Event Rate – Forced	Rate	14.82	9.36	12.03	10.64	12.00
Reactive Plant Event Rate – Forced	Rate	21.21	17.67	24.44	23.24	23.51
Loss of supply event frequency						
Loss of supply events > 0.05 (x) system minutes	Count	2	1	2	0	1
Loss of supply events > 0.40 (y) system minutes	Count	0	0	1	0	0
Average outage duration [1]						
Average outage duration	Minutes	33.23	69	323	46	79
Proper operation of equipment [2]						
Failure of protection system	Number	26	9	20	21	24
Material failure of Supervisory Control and Data Acquisition (SCADA) system	Number	1	0	0	0	1
Incorrect operational isolation of primary or secondary equipment	Number	4	1	2	5	4
Market Impact Component						
MIC	No. of Dispatch Intervals (DI)	1,001	3,619	2,239	667	2,295
Network Capability Component						
Network Capability Incentive Parameter Action Plan (NCIPAP)	No NCIPAP projects were proposed by Powerlink for the 2022-27 regulatory period.					

(1) Two year rolling average performance is reported as required by the AER's 2015 STPIS.
(2) Report only parameter with no weighting.
(3) The 2025 result is subject to the AER's review and approval of Powerlink's 2025 STPIS report.

13.5.2 STPIS target setting for the 2027-32 regulatory period

13.5.2.1 Market Impact Component and Network Capability Component

STPIS (version 6) suspends the application of the MIC. Hence, Powerlink is not required to propose MIC targets for the 2027-32 regulatory period.

Similarly, this version of the STPIS requires that proposed priority projects under the NCC are identified in a transmission business' Transmission Annual Planning Report (TAPR) and proposed for the AER's approval in its annual STPIS compliance review report. We have not identified any proposed priority projects in this Revenue Proposal.

13.5.2.2 Service Component

This section sets out our proposed SC values and the approach we used to set our targets for the 2027-32 regulatory period. This is based on the AER's 2025 STPIS, the AER's Framework and Approach paper for Powerlink's 2027-32 revenue determination[213] and the Regulatory Information Notice (RIN) issued to Powerlink by the AER for the purpose of this Revenue Proposal (the Reset RIN).

The Reset RIN defines the historical calendar years to be used to calculate our SC values for the 2027-32 regulatory period, for use in our Revenue Proposal and Revised Revenue Proposal. The year ranges that we must use to calculate SC values are 2020-2024 for our Revenue Proposal and 2021-2025 for our Revised Revenue Proposal[214].

The approach we used to set our STPIS targets is as follows:

- We have proposed targets, caps and floors for relevant parameters and sub-parameters related to the SC based on Section 3.2 of the AER's 2025 STPIS.
- The caps and floors were calculated based on a best fit statistical distribution to the previous five years performance data for each of the parameters and sub-parameters. The caps and floors reflect the 5th and 95th percentiles of each of the chosen statistical distributions. The methodology we applied to determine the statistical distributions for each parameter and sub-parameter is provided as Appendix 13.01 Setting STPIS Values.

The proper operation of equipment parameter is 'report only' and therefore no values are required. We do not address this further in this Revenue Proposal.

We have provided our STPIS SC values for the 2027-32 regulatory period based on the historical date ranges required by the AER in Table 13.7.

[213] Framework and approach Powerlink transmission determination 2027-32, Australian Energy Regulator, July 2025, p.5.
[214] 2027-32 Reset RIN for Powerlink Appendix A - Regulatory template instructions, Australian Energy Regulator, 9 October 2025 (as varied 28 November 2025), page 10.

Table 13.7 - STPIS values for 2027-32 regulatory period

SC Parameter (±1.25% MAR)	Floor	Target	Cap	Distribution
Unplanned outage circuit event rate (±0.75% MAR)				
Lines Event Rate – Fault	11.74	9.35	6.52	Weibull
Transformer Event Rate – Fault	15.03	12.45	10.25	Pearson5
Reactive Plant Event Rate – Fault	24.27	20.72	16.45	Weibull
Lines Event Rate – Forced	17.61	12.96	9.34	Pearson5
Transformer Event Rate – Forced	19.31	13.12	7.98	Gamma
Reactive Plant Event Rate – Forced	27.91	22.83	18.18	Gamma
Loss of supply event frequency (±0.30% MAR)				
Greater than 0.05 System Minutes (x)	4	1.40	0	Poisson
Greater than 0.40 System Minutes (y)	2	0.60	0	Poisson
Average outage duration (±0.20% MAR)				
Average outage duration	297.24	161.16	13.20	Log-logistic

13.5.3 STPIS Service Component historical performance informing targets

The following sections outline our historical performance for the SC, which informs our caps, floors and targets for each relevant parameter and sub-parameter.

The proposed targets outlined in Table 13.7 have been calculated using the year ranges required by the Reset RIN, i.e. 2020 to 2024, as presented in Figure 13.1 to Figure 13.9. Preliminary data for the 2025 calendar year has been included for information. The confirmed 2025 data will be used to calculate the targets in our Revised Revenue Proposal.

13.5.3.1 SC - Unplanned outage circuit event rate – fault

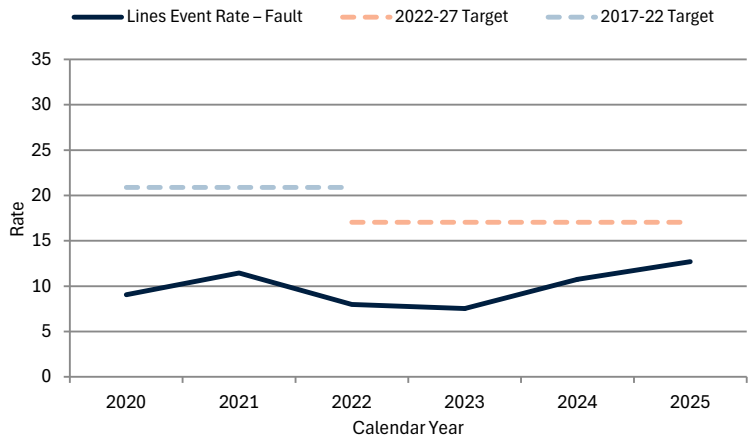
A fault outage is any element outage that occurred due to an element being switched off (such as circuit breakers) unexpectedly, i.e. it did not occur as a result of intentional manual operation of switching devices. The fault outage circuit event rate parameter measures network reliability based on an aggregate number of fault outages per annum for each of the element transmission types: lines, transformers and reactive plant.

To minimise the impact on our customers and the market, we rapidly respond to and restore fault outages on our network.

Deterioration in asset condition can contribute to fault outage events. Where prudent and efficient, we refurbish our deteriorating assets. This can restore asset performance, reduce fault level outage occurrences, and improve the overall reliability for our customers.

The historical performance of our fault outage circuit event rates since 2020 for transmission lines, transformers and reactive plant against their respective target is shown in Figures 13.1, 13.2 and 13.3.

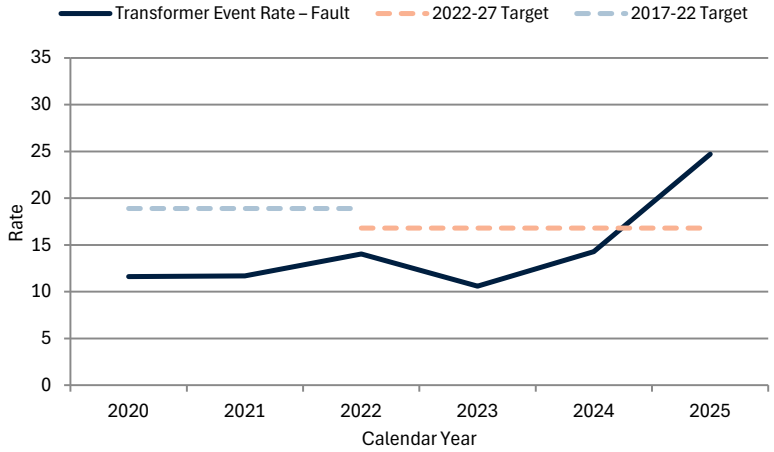
Figure 13.1 - Lines Event Rate – Fault 2020-2025



The lines fault event rate performed better than the target.

Outcomes remained within expected ranges based on long-term trends and is consistent with annual environmental and equipment performance variabilities and volatilities.

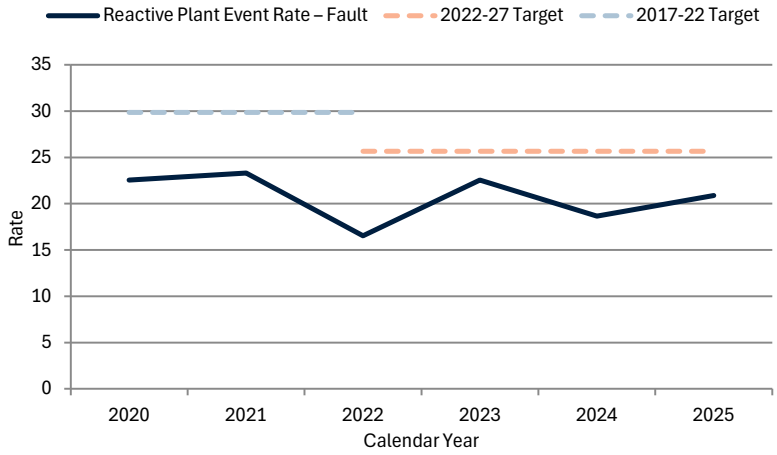
Figure 13.2 - Transformer Event Rate – Fault 2020-2025



The transformer fault event rate performed better than the target between 2020 and 2024.

Outcomes generally remained within expected ranges based on long-term trends and is consistent with annual environmental and equipment performance variabilities and volatilities. The 2025 year was an outlier due to an abnormally high repetition of events associated with a small number of specific assets due to both plant and equipment impacts.

Figure 13.3 - Reactive Plant Event Rate – Fault 2020-2025



The reactive plant fault event rate performed consistently better than the target due to less equipment and environmental related fault impacts.

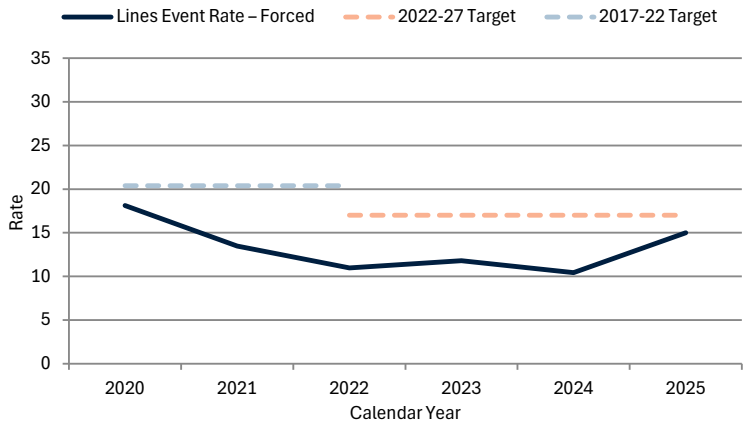
13.5.3.2 SC - Unplanned outage circuit event rate - forced

A forced outage is any element outage that occurred due to intentional manual operation of switching devices based on the requirement to undertake urgent and unplanned corrective activity, where less than 24 hours' notice was given to the affected customer(s) and/or AEMO.

Similar to the fault outage rate, the forced outage circuit event rate parameter measures network reliability based on an aggregate number of forced outages per annum for each of the element transmission types (lines, transformers and reactive plant).

The historical performance of our forced outage circuit rates since 2020 for transmission lines, transformers and reactive plant is shown in Figures 13.4, 13.5 and 13.6.

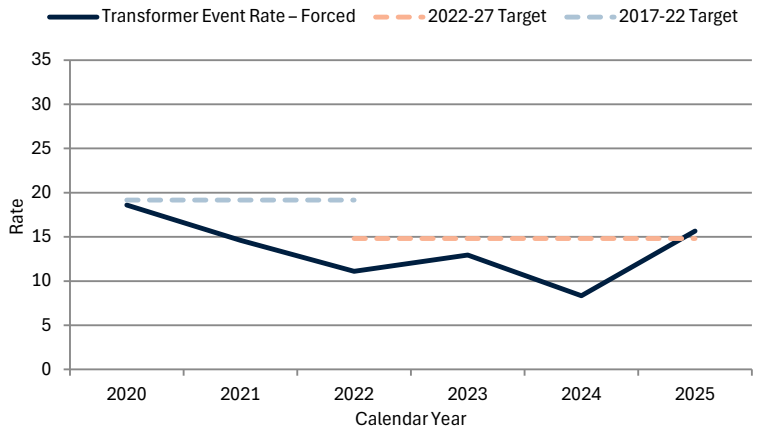
Figure 13.4 - Lines Event Rate – Forced 2020-2025



The lines forced event rate performed consistently better than the target.

Outcomes remained within expected ranges based on long-term trends and is consistent with annual environmental and equipment performance variabilities and volatilities.

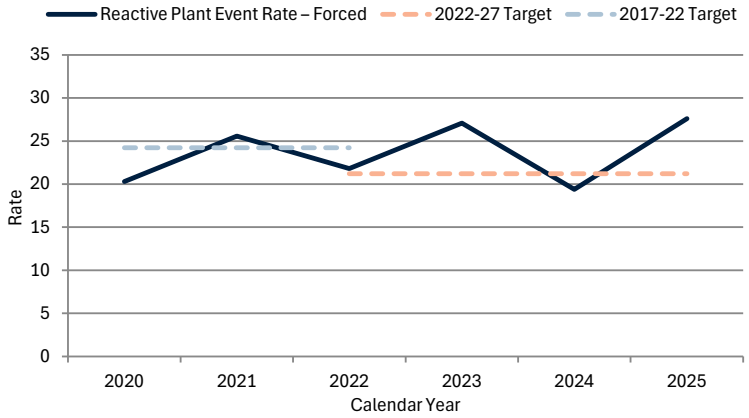
Figure 13.5 - Transformer Event Rate – Forced 2020-2025



The transformer forced event rate performed better than the target between 2020 and 2024.

Outcomes generally remained within expected ranges based on long-term trends and is consistent with annual environmental and equipment performance variabilities and volatilities. A step increase in the number of impacts to transformers occurred in 2025 due to instrument transformer and connection equipment related faults.

Figure 13.6 - Reactive Plant Event Rate – Forced 2020-2025



The reactive plant forced event rate performed consistently and broadly around the target across the five-year period.

The 2023 and 2025 results were influenced by opportunistic corrective work undertaken when operational conditions allowed. With alternative reactive plant available, activities such as weed removal, alarm investigations, and gas top-ups could be carried out cost-effectively without affecting network operations.

13.5.3.3 SC - Loss of supply event frequency

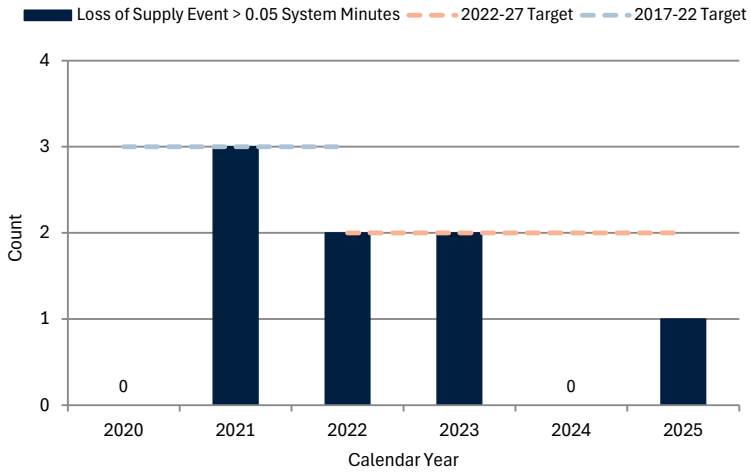
We report performance against two loss of supply event targets based on the thresholds specified in the AER's 2015 STPIS:

- the 'moderate' event (x) threshold is a loss of supply event greater than 0.05 system minutes, and
- the 'large' event (y) threshold is a loss of supply event greater than 0.40 system minutes.

13.5.3.4 SC - Loss of supply event frequency greater than 0.05 system minutes (x)

Our historical performance for the loss of supply event frequency greater than 0.05 system minutes parameter is shown in Figure 13.7.

Figure 13.7 - Loss of supply event frequency greater than 0.05 system minutes (x) 2020-2025



For the loss of supply event frequency sub-parameter under the 'moderate' (x) threshold, we met or performed better than the target.

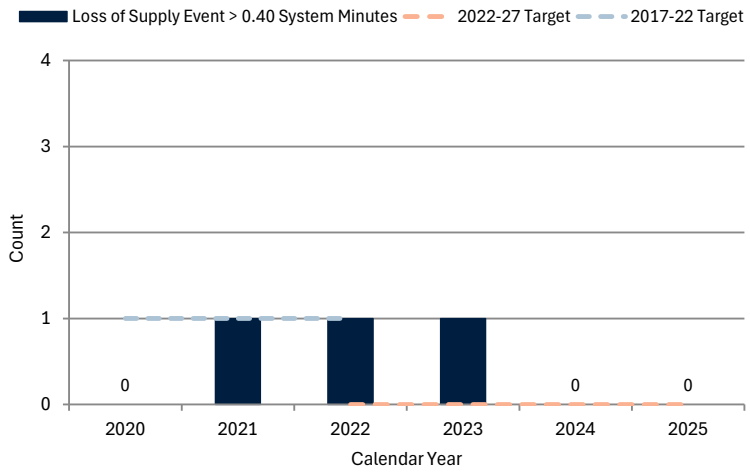
In 2022, the two events comprised de-energisation of two 110kV feeders in Brisbane to manage safety issues due to rising flood water, and a wildlife event in northern Queensland.

In 2023, there were two events – one due to plant failure and the other due to wildlife. In 2025, there was one event due to plant failure.

13.5.3.5 SC - Loss of supply event frequency greater than 0.40 system minutes (y)

Our historical performance for the loss of supply event frequency greater than 0.40 system minutes parameter is shown in Figure 13.8.

Figure 13.8 - Loss of supply event frequency greater than 0.40 system minutes (y) 2020-2025



We met or performed better than the target for the loss of supply event frequency sub-parameter under the 'large' (y) threshold in 2020, 2021, 2024 and 2025.

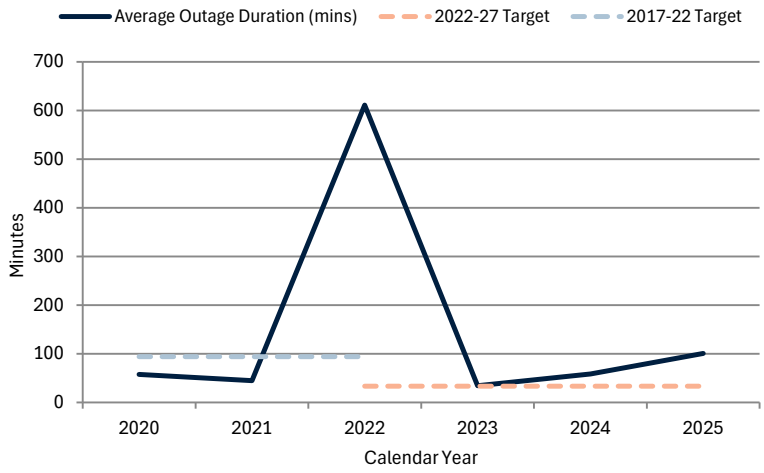
In 2022, we did not meet the target due to the de-energisation of two 110kV feeders in Brisbane to manage safety issues associated with rising flood water.

In 2023, we did not meet the target due to an event involving plant failure in the Townsville area.

13.5.3.6 SC - Average outage duration

The average outage duration parameter measures the average time to restore loss of supply events. It is calculated by the division of the total duration of loss of supply events in a year by the number of loss of supply events in that year. Our historical performance for this parameter is shown in Figure 13.9.

Figure 13.9 - Average outage duration 2020-2025



We performed better than the target for the average outage duration of loss of supply event parameter in 2020 and 2021.

In February 2022, we de-energised two 110kV feeders to our Bundamba substation for safety due to rapidly rising flood water. In 2023 and 2024, several events occurred where, on average, load restoration took slightly longer than the AER's target of 33 minutes.

In 2025, equipment failure resulted in the disconnection of a distribution network's single source of supply to rural communities resulting in an extended outage duration.

13.6 Demand Management Innovation Allowance Mechanism

The Demand Management Innovation Allowance Mechanism (DMIAM) is a funding mechanism designed to support innovation, rather than reward performance outcomes. The AER published its DMIAM for electricity transmission networks in April 2021. During the previous regulatory determination process, Powerlink empowered the RPRG to decide on the whether a DMIAM allowance should be sought in its 2023-27 Revenue Proposal. Based on the preference of the RPRG, we did not seek a DMIAM allowance for the current regulatory period.

In response to the AER's preliminary Framework and Approach paper for Powerlink's 2027-32 transmission determination, we confirmed our intent to implement innovative solutions for prescribed transmission services in the normal course of business. We also committed to investigate customer appetite for the application of the DMIAM for our 2027-32 Revenue Proposal and whether an allowance should be sought.

In its final Framework and Approach paper, the AER proposed to apply the DMIAM to Powerlink for the 2027-32 regulatory period, subject to Powerlink's customer engagement outcomes[215].

In December 2025, we provided the RPRG with information on current initiatives to identify innovative solutions for prescribed transmission services we are currently undertaking as part of business as usual and proposed an approach to not seek a DMIAM allowance as part of this Revenue Proposal.

Following engagement with the RPRG, it endorsed our proposed approach in December 2025 (refer Chapter 3 Customer Engagement). Consequently, Powerlink is not seeking a DMIAM allowance for the 2027-32 regulatory period.

[215] Framework and approach Powerlink transmission determination 2027-32, Australian Energy Regulator, July 2025, page 6.