14 Pricing Methodology

14.1 Introduction

This chapter sets out proposed amendments to our current Australian Energy Regulator (AER) approved Pricing Methodology, which will apply to Powerlink's 2027-32 regulatory period.

Our Pricing Methodology describes how we allocate our annual prescribed revenue to the various categories of prescribed transmission services and transmission network connection points, and determines the structure of our prescribed transmission service charges.

Key highlights:

- We reviewed our prescribed transmission service pricing arrangements and propose amendments to our Pricing Methodology to:
    - reflect two recent changes to the National Electricity Rules (Rules)
    - make transparent the continued implementation of the AER's decision on a pricing matter in its Final Determination on Powerlink's 2023-27 Revenue Proposal, and
    - make a minor administrative addition.
- A marked up copy of our Proposed Pricing Methodology, showing changes from our current Pricing Methodology, is included in Appendix 14.01.

14.2 Regulatory requirements

The Rules[216] require us to submit a proposed Pricing Methodology with our Revenue Proposal. The Rules also specify the requirements for a Pricing Methodology, which include consistency with the pricing principles for prescribed transmission services[217] and the AER's 2025 Pricing Methodology Guidelines[218].

14.3 Our Proposed Pricing Methodology

14.3.1 Review of pricing arrangements

Affordability remains a key issue for both our directly connected customers and distribution connected end-users, including residential and small business customers, as discussed in Chapter 2 Operating Environment.

Our customers are changing the way they use the transmission network, as transitional changes take place throughout the electricity system. To adapt to the changing environment, we are currently transitioning to locational prices based on peak demand only. This transition is being implemented over a 10-year period, across two regulatory periods, and by the end of the 2027-32 period will be fully implemented. This approach was supported by customers after an extensive engagement process and approved by the AER in its Final Determination on Powerlink's 2023-27 Revenue Proposal[219].

[216] National Electricity Rules, clause 6A.10.1.
[217] National Electricity Rules, clause 6A.23.
[218] Electricity Transmission Network Service Providers Pricing Methodology Guidelines, Australian Energy Regulator, July 2025.
[219] Final Decision Powerlink Queensland Transmission Determination 2022 to 2027, Australian Energy Regulator, April 2022, page 71.

This change provides stronger signals to our customers to encourage more efficient use of the network and enables customers to reduce their costs by changing their network usage. We will continue to implement this 10-year transition over the 2027-32 regulatory period.

14.3.2 Customer and stakeholder engagement

We engaged with a range of stakeholders as part of our review of the factors impacting prescribed transmission service prices. This engagement included Powerlink's Revenue Proposal Reference Group (RPRG) and other Transmission Network Service Providers (TNSPs).

In July 2025, we provided an overview to the RPRG of our proposed amendments to the Pricing Methodology, which included:

- changes to implement two recent Rule changes by the Australian Energy Market Commission (AEMC), and
- a minor administrative change to continue implementation of a decision approved by the AER in its Final Determination for our 2023-27 Revenue Proposal.

The RPRG supported the changes and acknowledged that the amendments were largely intended to ensure compliance with Rule changes.

We also engaged with the AER to clarify whether our Pricing Methodology should specify that the optimised replacement cost of non-prescribed designated network assets (DNAs) or identified user shared assets (IUSAs) is zero. This addition was identified through engagement with other TNSPs.

In addition, in the normal course of business we engage regularly with our directly connected customers. Powerlink reviewed issues raised by our directly connected customers in recent years and considered that no further changes to our Pricing Methodology were necessary.

14.3.3 Proposed amendments to our Pricing Methodology

The four proposed amendments to our Pricing Methodology are summarised in Table 14.1. Each of the proposed changes is permitted under the current Rules.

If necessary, we will also amend our Pricing Methodology within the regulatory period with any legislative requirements to support the delivery of the Queensland Energy Roadmap[220].

[220] Energy Roadmap 2025, Queensland Government, October 2025.

Table 14.1 - Proposed Pricing Methodology amendments

Amendment	Description
National Electricity Rule Change Implementation	
1. Provide for the recovery of non-network system security contracts	We must comply with the Improving Security Frameworks for the Energy Transition (ISF) Rule change[221]. It requires Pricing Methodology amendments to provide for TNSPs to forecast and recover their expected annual non-network system security contracts for the coming regulatory year and recover these expected contracts through prescribed transmission service prices for that year. This includes the recovery, or return to our customers, of any differences between the actual and forecast costs incurred under the contracts through prescribed transmission service prices, subject to AER approval. This Rule was first implemented in our 2025/26 prescribed transmission service prices but must now also be reflected in our Pricing Methodology.
2. Reflect the new term 'aggregate annual revenue requirement (AARR)' as the Co-ordinating Network Service Provider (CNSP)	This change reflects the AEMC's Final Rule for Providing Flexibility in the Allocation of Interconnector Costs[222] and the AER's Pricing Methodology Guidelines[223]. While we currently do not have an interconnector cost allocation agreement in place, as the CNSP for Queensland, we must update our Pricing Methodology to reflect the new terminology in the Rules.
Other Minor Administrative Changes	
3. Continue the transition to peak demand locational pricing for the remaining 5 years of the 10-year transition.	In our 2023-27 Revenue Proposal, customers supported, and the AER approved a transition to locational prices based on peak demand only. To facilitate this transition, the average demand component of the locational price is decreasing by 10 percent each year over the 2022-27 and 2027-32 regulatory periods. Our 2023-27 Pricing Methodology includes transitional arrangements for the period. Minor amendments are proposed to make transparent the continuation of the transition in the 2027-32 regulatory period.
4. Clarify that the optimised replacement cost of non-prescribed transmission system assets that are DNAs or IUSAs is zero.	This minor addition reflects the requirements of clause S6A.3.2(1) of the Rules, which was introduced by the National Electricity Amendment (Connection to dedicated connection assets) Rule 2021 no. 7. Although this is an existing requirement within the Rules (from 2021), the AER requested that we include this to improve clarity and transparency in our pricing methodology.

221 Improving Security Frameworks for the Energy Transition, Australian Energy Market Commission, March 2024.
222 Providing Flexibility in the Allocation of Interconnector Costs, Australian Energy Market Commission, October 2024.
223 Electricity Transmission Network Service Providers Pricing Methodology Guidelines, Australian Energy Regulator, July 2025.