7 Regulatory Asset Base

7.1 Introduction

This chapter outlines Powerlink's approach to calculating the opening Regulatory Asset Base (RAB) as at 1 July 2027 and our forecast RAB for each year of the 2027-32 regulatory period.

Key highlights:

- Our opening RAB as at 1 July 2027 is forecast to be $8,322.6 million ($ nominal).
- The RAB is forecast to increase by $1,642.1 million ($ nominal) over the 2027-32 regulatory period[139].
- The increase is primarily driven by higher forecast capital expenditure within the period largely due to reinvestment in ageing network assets, and the need to enhance both physical and cyber security in response to the *Security of Critical Infrastructure Act 2018*.
- The closing RAB as at 30 June 2032 is forecast to be $9,964.8 million ($ nominal).

7.2 Regulatory requirements

The National Electricity Rules (Rules)[140] set out the requirements for establishing the opening value of our RAB. We are also required to provide the annual RAB calculations for each year of the current 2022-27 regulatory period[141]. This is done using the Australian Energy Regulator's (AER's) Roll Forward Model (RFM)[142].

The Rules[143] require that the RAB is the value of assets used to provide prescribed transmission services, but only to the extent that they are used to provide such services. The Rules[144] require that the RAB for each year of the regulatory period be reduced by the disposal value of any asset disposed of in the period.

The Rules[145] also allow for the value of assets that previously provided non-prescribed transmission services to be transferred into the RAB as part of a revenue determination. The transfer amount is limited to the extent that such capital expenditure relates to an asset that is now used for the provision of prescribed transmission services.

7.3 Our approach

We established the opening value of our RAB and rolled it forward for each year of the regulatory period in accordance with the Rules[146]. We used the AER's RFM to establish the opening RAB as at 1 July 2027 and the AER's Post-Tax Revenue Model (PTRM)[147] to calculate the forecast RAB for the 2027-32 regulatory period.

We continued to apply year-by-year depreciation tracking (refer Chapter 9 Depreciation) and have used the AER's Depreciation Tracking Module (DTM)[148] to do so.

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[139] Based on a comparison of 1 July 2027 opening RAB to 30 June 2032 closing RAB.
[140] National Electricity Rules, Schedule 6A.2, clause S6A.2.1(f).
[141] National Electricity Rules, clause 6A.6.1 and Schedule 6A.1, clause S6A.1.3(5).
[142] Electricity Transmission Network Service Provider Roll Forward Model (version 4.1), Australian Energy Regulator, May 2022.
[143] National Electricity Rules, clause 6A.6.1(a).
[144] National Electricity Rules, Schedule 6A.2, clause S6A.2.1(f)(6).
[145] National Electricity Rules, Schedule 6A.2, clause S6A.2.1(f)(8).
[146] National Electricity Rules, Schedule 6A.2, clause S6A.2.1(f).
[147] Electricity Transmission Network Service Provider Post-Tax Revenue Model (version 6), Australian Energy Regulator, March 2025.
[148] Electricity Transmission Network Service Provider RFM - Depreciation Tracking Module (version 1), April 2020.

Prior to publication of the AER's Final Decision on Powerlink's 2027-32 Revenue Proposal in April 2027, we will update our forecast opening RAB as at 1 July 2027 to reflect the actual capital expenditure in 2025/26 and update the forecast RAB roll forward for the 2027-32 regulatory period accordingly.

7.4 Opening RAB as at 1 July 2027

To establish the forecast opening RAB as at 1 July 2027, we have adjusted the opening RAB as at 1 July 2022 for capital expenditure and regulatory depreciation as shown in Table 7.1.

Following engagement with the AER, we have calculated the opening RAB using the actual/forecast capital expenditure for years 2023 to 2025 recast to disburse the adjustments applied in 2024/25. We discuss these adjustments further in Chapter 4 Capital Expenditure.

Table 7.1 - Establishment of opening RAB as at 1 July 2027 ($million nominal)

	2023	2024	2025	2026 forecast	2027 forecast
Opening RAB	7,157.9	7,614.5	7,806.7	7,821.2	8,046.3
Capital expenditure as incurred (1)	231.4	250.3	209.6	360.7	385.3
Regulatory depreciation (2)	225.2	(58.1)	(195.1)	(135.6)	(146.1)
Closing RAB	7,614.5	7,806.7	7,821.2	8,046.3	8,285.5
Difference between forecast and actual capital expenditure in 2021/22					0.3
Return on capital for the difference between forecast and actual expenditure in 2021/22					0.1
Final year asset adjustment (3)					36.7
Opening RAB as at 1 July 2027					**8,322.6**

a. Net of disposals, adjusted for inflation and one-half Weighted Average Cost of Capital (WACC) allowance.[149]. The roll forward also reflects forecast capitalised movements in provisions.
(1) Depreciation is based on forecast depreciation as approved by the AER for the 2022-27 regulatory period and is net of indexation applied to the RAB.
(2) RAB addition relating to the portion of existing non-prescribed assets that will be utilised to provide prescribed transmission services, as outlined in Section 7.6.1.

[149] 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.

7.5 Forecast RAB for the 2027-32 regulatory period

The forecast RAB for each year of the 2027-32 regulatory period is shown in Table 7.2.

Table 7.2 - 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 WACC allowance. The roll forward also reflects forecast capitalised movements in provisions.

7.6 RAB additions and removals

7.6.1 Additions

We have included an asset transfer of $36.7 million in the closing RAB at 30 June 2027 in our Revenue Proposal. This amount reflects the portion of existing non-prescribed assets that will be used to provide prescribed transmission services. In determining the appropriate transfer value, we have referred to the requirements of the Rules and our Cost Allocation Methodology.

In our draft Revenue Proposal, published in September 2025, this amount was included as forecast capital expenditure in the 2027-32 regulatory period. However, as the asset is expected to be capitalised and provide non-prescribed transmission services within the current 2022-27 regulatory period, we consider it appropriate to treat this as an asset transfer to the RAB, rather than as forecast capital expenditure. We engaged with the Revenue Proposal Reference Group (RPRG) on this matter in December 2025.

We estimate that the impact on customers from this inclusion is negligible and has not had any consequential impact on our operating or capital expenditure forecasts for the 2027-32 regulatory period. Further information to support our proposed RAB additions is provided in Appendix 7.01 Regulatory Asset Base Transfers.

7.6.2 Removals

We have removed $2.8 million in assets from our RAB which have been repurposed to provide non-prescribed transmission services. This approach ensures that assets with no enduring need for the provision of prescribed transmission services and can be repurposed, are removed from the RAB. It also means that customers who will derive benefit from the use of the assets going forward will pay for them. This adjustment has been effected by means of an asset disposal.

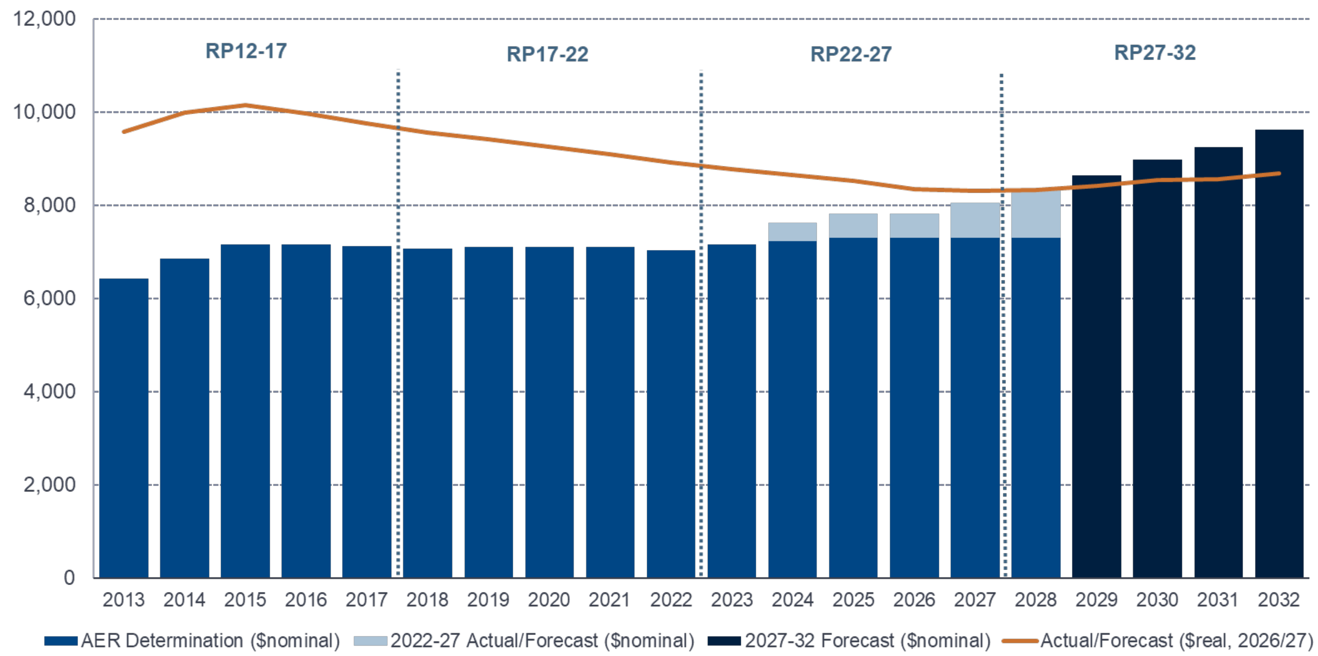
Given the customer-specific and commercial-in-confidence nature of our proposed RAB removals, further information to support our proposal is provided to the AER on a confidential basis in Appendix 7.01 Regulatory Asset Base Transfers.

7.7 Historical and forecast RAB

As shown in Figure 7.1, our RAB is forecast to increase by $1,642.1 million ($ nominal) over the 2027-32 regulatory period[150]. This is an increase of $441.9 million in real, 2026/27. The increase is primarily driven by higher forecast capital expenditure within the period, largely due to reinvestment in ageing network assets and the need to enhance both physical and cyber security in response to the *Security of Critical Infrastructure Act 2018* (refer Chapter 4 Capital Expenditure).

The higher forecast capital expenditure also reflects the increased cost of delivering prescribed transmission services due to increased global demand for major plant items and competition for scarce skilled resources (refer Chapter 2 Operating Environment).

Figure 7.1 - Opening RAB 2012/13 to 2031/32 ($million)



[150] Based on a comparison of 1 July 2027 opening RAB to 30 June 2032 closing RAB.