Executive summary

This Revenue Proposal outlines the Queensland Electricity Transmission Corporation Limited's (Powerlink's) revenue requirements for prescribed (regulated) transmission services for the five-year regulatory period from 1 July 2027 to 30 June 2032.

Powerlink is a Government Owned Corporation that owns, develops, operates and maintains the high voltage electricity transmission network in Queensland. Our network extends 1,700km from Cairns to the New South Wales (NSW) border.

We lodge our Revenue Proposal with the Australian Energy Regulator (AER) every five years as part of our revenue determination process. We see this process as a once-in-a-five-year opportunity to continue to build trust with our customers and other important stakeholders, including the AER. It is important as it sets about 70% of our total annual revenue and funds the capital and operating expenditure required to provide safe, reliable and cost-effective prescribed (regulated) transmission services.

The challenge

Our network serves more than five million Queenslanders, for which the cost of electricity remains a key issue. It has never been more important or challenging for a network business to get the balance right between appropriate investment to ensure reliable supply, and minimising price impacts to customers.

Our research shows that our customers view affordability and reliability as the most important factors to consider in future network investment, and that they support investment now for long-term benefits in the future.

Appropriate investment in the transmission network is needed to meet our regulatory obligations and enable a strong Queensland economy. We recognise our impact on customer affordability is not limited to the prices we charge for transmission services. Our role in connecting generation and storage is essential in ensuring customers have access to the lowest cost electricity when they need it.

Powerlink's network is becoming increasingly complex to manage. The widening gap between maximum and minimum demand, increasing cyber security risks, new regulatory obligations (including system strength responsibilities), and an ageing asset base all drive additional cost and operating challenges. Making the right investment at the right time is essential to maintain a safe and reliable electricity supply without placing unnecessary burden on Queensland households already facing cost of living pressures.

Overview of our Revenue Proposal

We have engaged extensively with our customers and other stakeholders, including the AER's Consumer Challenge Panel on all key elements of our Revenue Proposal. We have listened and acted on customer feedback, particularly around our approach and how we manage the increasing complexity of the energy system.

Key elements of our Revenue Proposal are as follows.

TRANSMISSION COMPONENT OF ELECTRICITY BILLS WILL INCREASE ANNUALLY	FORECAST CAPITAL EXPENDITURE	FORECAST OPERATING EXPENDITURE	MAXIMUM ALLOWED REVENUE
5%	**$2,499.5 million**	**$1,810.2 million***	**$5,265.3 million***
For average residential and small business customers, this is an indicative first-year increase of $7 and $14 respectively.	This is a 66% increase from the actual/forecast capital expenditure in the current regulatory period.	This is a 19% increase from the actual/forecast operating expenditure in the current regulatory period. ** excl. debt raising costs*	This is a 25% increase from the current regulatory period. ** unsmoothed*

An increasingly complex and dynamic operating environment

Our operating environment is markedly different now to when we lodged our previous Revenue Proposal in January 2021. Our priority remains to deliver safe, reliable and cost-effective transmission services to our customers. We have summarised the key factors that shape our operating environment into three themes.

Customers

Powerlink's operating environment is increasingly shaped by the priorities of our customers and other stakeholders who expect our services to be reliable and affordable. We recognise our impact on affordability is influenced not only by our transmission service prices but also by network outages and congestion, which can lead to higher wholesale prices. We continue to guide the market to minimise bulk electricity supply costs.

In developing our plan of future network investment needs, we considered the Queensland Government's Energy Roadmap 2025 and Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP), which provide infrastructure development pathways that are intended to provide customers with the lowest overall cost of electricity supply over time.

Cost

Powerlink, like other network businesses across the National Electricity Market (NEM) and globally, is experiencing significant increases in equipment costs, supply chain pressures and competition for skilled resources. AEMO's 2025 Electricity Network Options Report identified that the costs for transmission line projects in Australia have increased by up to 55% in real terms since 2023, citing supply chain pressures, market competition and increased project risk associated with remote locations and community impacts.

Complexity

The rapid shift towards distributed generation and rooftop solar presents technical challenges in how we plan and operate our network. It drives more frequent operator intervention, an increasing number of control room alarms, and a rise in the labour effort required for scheduling, planning and management of outages. At the same time, heightened cyber security risk and the importance of social licence continue to shape how we do business.

Genuine customer engagement has shaped our Revenue Proposal

Our purpose is firmly focused on serving Queenslanders. Powerlink engages with its customers, communities and other stakeholders in the normal course of business. This includes with our customers via our Customer Panel, Transmission Network Forums and targeted research and engagement with broader stakeholders including government, households and communities. We co-designed the scope of engagement for our Revenue Proposal with Powerlink's Customer Panel, senior members of the AER, the AER's Consumer Challenge Panel, as well as members of Powerlink's Board and Executive.

Our Revenue Proposal Reference Group (RPRG), a subset of our Customer Panel, met 11 times throughout 2025 to engage on key elements of this Revenue Proposal. We also expanded the scope of our annual customer and stakeholder research programs to gain greater insight into customer priorities.

The direct influence of the RPRG has shaped the development of our Revenue Proposal, including:

- smoothing the price path
- Capital Expenditure Sharing Scheme (CESS) net carryover calculation
- operating expenditure output growth trend, and
- application of the Demand Management Innovation Allowance Mechanism (DMIAM).

A key finding from our engagement assessment survey of the Customer Panel, was that 100% of RPRG members considered that our engagement process had allowed appropriate influence on decision making and that they had been engaged at an appropriate level.

Capable of acceptance remains our overarching goal

Through engagement with our customers and other stakeholders, we have retained our overarching goal:

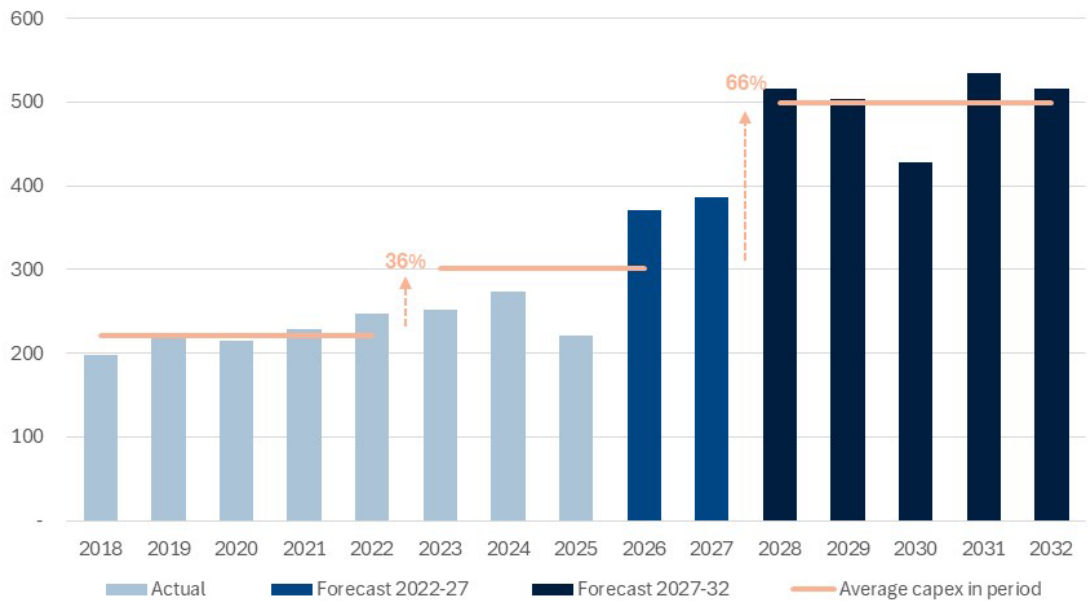
> *To deliver a Revenue Proposal that is capable of acceptance by our customers, the AER and Powerlink.*

This goal has influenced the development of our Revenue Proposal and encapsulates the key customer priorities of affordability and reliability. We have also engaged extensively with the RPRG to define what capable of acceptance looks like and developed clear criteria based on the principles contained in the AER's Better Resets Handbook.

Capital expenditure aligned with customer priorities

Our total capital expenditure forecast for the 2027-32 regulatory period is $2,499.5 million**.** This is $995.0 million (66%) more than the capital expenditure for the current 2022-27 regulatory period.

Figure 1 - Total actual historical and forecast capital expenditure ($million, real 2026/27)



The majority of our forecast capital expenditure (78%) is network capital expenditure to maintain safe and reliable supply. This includes $1,674 million reinvestment on our ageing assets, and $167 million to address obligations under the *Security of Critical Infrastructure (SOCI) Act 2018*. A further $98 million is planned to be invested to enhance monitoring and real time operational capability. These forecasts are based on a bottom-up assessment of needs, balancing risks to safety, security and reliability and cost, consistent with the priorities expressed in our customer surveys.

Our capital expenditure forecast also includes $295 million to acquire easements to support future transmission line rebuilds in the North Queensland and Gladstone regions, further enabling the ongoing energy transition. We also propose a major investment in our Virginia complex, where the underlying infrastructure is over 60 years old, and the establishment of a permanent facility in Gladstone.

Our capital expenditure forecast is supported by an assessment of its deliverability.

Current period performance in a challenging environment

During the 2022-27 regulatory period, Powerlink experienced unprecedented increases in the costs of major plant items, materials and skilled resources which were outside our control. We have managed our expenditure and proactively sought to address these inflationary pressures where practical, and deferred work where it has been safe and efficient to do so. This has included application of the outcomes of our Asset Reinvestment Review to transmission line refit works and measures to reduce secondary systems replacement needs.

Notwithstanding the actions taken to reduce capital expenditure, we spent an additional $63.4 million (6.3%) in the ex post capital expenditure review period, the preceding five complete years of actual expenditure, compared to the AER's allowance as shown in Table 1. We do not consider this overspend is material, based on the circumstances we have faced during this time.

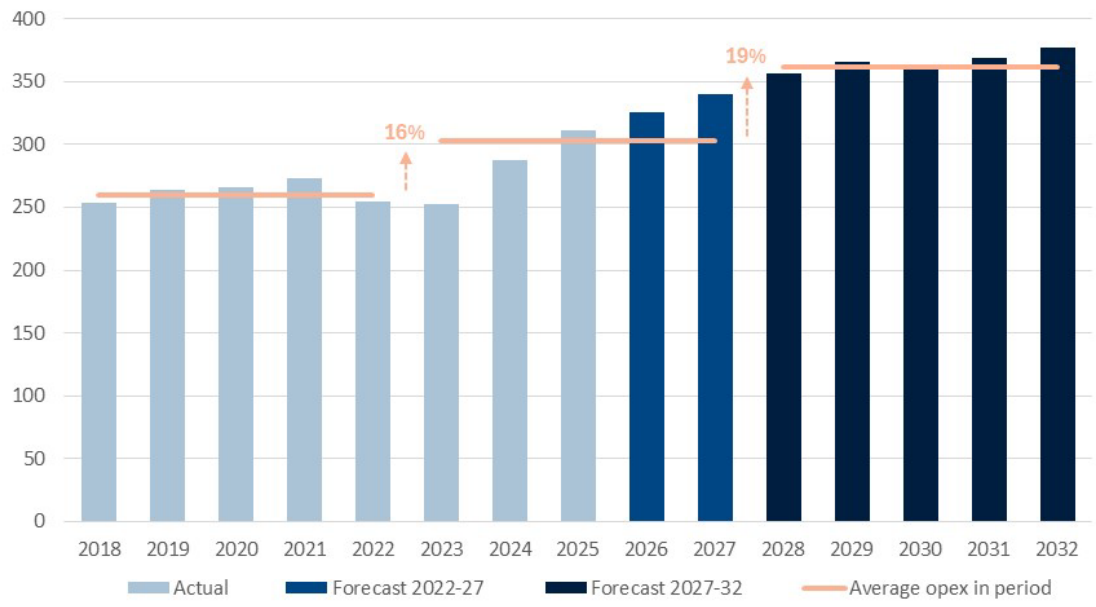
Table 1 - Capital expenditure – ex post review period ($million, nominal)

	2021	2022	2023	2024	2025	Total
AER Allowance	185.5	179.7	209.3	239.9	184.9	**999.4**
Actual	180.5	201.7	221.8	250.6	208.2	**1,062.8**
Difference	(5.1)	22.0	12.5	10.7	23.2	**63.4**
Difference (%)	(3%)	12%	6%	4%	13%	**6.3%**

Operating expenditure to address the demands of a complex operating environment

Our total operating expenditure forecast for the 2027-32 regulatory period is $1,810.2 million, excluding debt raising costs**.** This is $293.0 million (19%) more than the operating expenditure for the current 2022-27 regulatory period.

Figure 2 - Total actual historical and forecast operating expenditure ($million, real 2026/27)



We developed our forecast using the AER's preferred base-trend-step methodology. We propose 2025/26 as our base year, as we consider it is reflective of an efficient level of the expenditure required to meet the operating expenditure objectives and criteria. It will also represent the most recent revealed costs at the time that the AER makes its Final Decision on our 2027-32 Revenue Proposal in April 2027.

We explored alternative output growth measures that better reflect our rapidly changing operating environment. However, following engagement with the RPRG, we have applied trend measures for output growth, price growth and productivity in line with the AER's current approach.

We have also proposed three operating expenditure step changes, totalling $85 million for the 2027-32 regulatory period. These result from new regulatory obligations and external market conditions relating to physical security, cloud-based computing solutions and enhancing overnight network monitoring in our control room.

Revenue and pricing

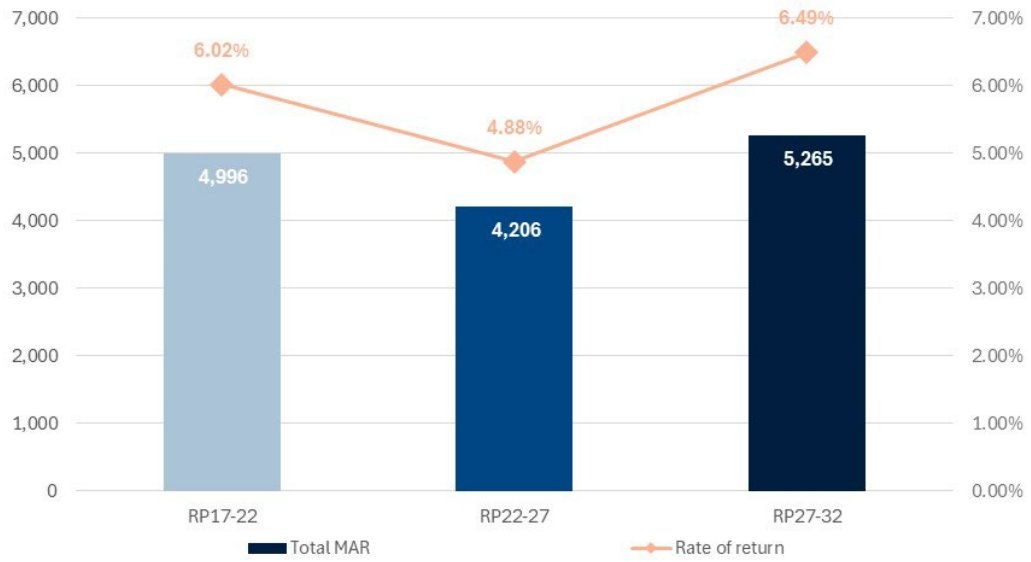
Revenue requirements

Our Maximum Allowed Revenue (MAR) forecast 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 current 2022-27 regulatory period.

The increase in revenue is mainly driven by significantly higher rates of return, growth in the Regulatory Asset Base (RAB) due to increased capital expenditure, and higher operating expenditure reflecting changes in the operating environment.

The average MAR over the previous, current and next regulatory periods and its alignment with the prevailing average rate of return is illustrated in Figure 3.

Figure 3 - Maximum Allowed Revenue ($million, real 2026/27) and average rate of return (%)



We actively engaged with the RPRG to ensure our approach to revenue smoothing was transparent and genuinely reflected customer interests. Together, we explored different options and the RPRG supported a method that balances revenue recovery with expected demand growth, providing a smoother price path for customers over the 2027-32 regulatory period. Powerlink has adopted this approach in calculating the smoothed revenue and resulting X-factors which are shown in Table 2.

Table 2 - 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**

Indicative price path

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%)
- **Small business –** a nominal increase of $14 (5%)

The annual price increases for average residential customers and small businesses will be 5% in nominal terms for the remainder of the 2027-32 regulatory period. Our price path reflects customers' preference for a stable and predictable price path, consistent with feedback from the RPRG.

The indicative impact of our forecast MAR on the transmission component of average annual electricity bills in each year of the 2027-32 regulatory period is shown in Table 3.

Table 3 - 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

We also considered the potential price impacts of projects subject to regulatory mechanisms outside the revenue determination process, including the Gladstone Project. More information on this is provided in Appendix 10.01 Pricing Impact Scenarios of our Revenue Proposal.