

Revenue Proposal Reference Group Meeting No.12

Details of Meeting	
Date and time of meeting	13:00 – 17:00, Wednesday February 11 2026
Location	Powerlink Offices, Virginia
Attendees	Organisation
RPRG members – customer representatives	
Alicia Kennedy (online)	Queensland Farmers’ Federation (QFF)
Chris Hazzard	St Vincent de Paul Society
Mark Grenning (Independent Chair)	Energy Users Association of Australia (EUAA)
Nardia Yeates	Aurizon
Robyn Robinson	Council on the Ageing (COTA)
RPRG members – Powerlink representatives	
Gerard Reilly	General Manager Communications, Customer and Engagement
Jenny Harris	General Manager Network Regulation
Roger Smith (RPRG Chair)	Director Revenue Reset
Guests and speakers	
Aidan Lawlor	Capex Lead Revenue Reset
Eleonore Bridier (Convenor)	Customer Engagement Specialist
Jacqui Bridge (online)	Executive General Manager Network Investment
Kara Healey (online)	Opex Analyst Revenue Reset
Martin Pavelka (online)	Finance and Modelling Analyst Revenue Reset
Michelle Beavis	Opex Lead Revenue Reset
Simon Hendry (online)	Governance, Assurance and Estimating Coordinator Revenue Reset
Vanessa Morris (online)	Capex Analyst Revenue Reset
Wendy Miller	Customer Strategist
Invited stakeholders	
Michael Brothers (online)	Australian Energy Regulator (AER)
Mike Swanston (online)	AER Consumer Challenge Panel No.34
Apologies	
David Prins	AER Consumer Challenge Panel No.34
Katie-Anne Mulder	Queensland Renewable Energy Council (QREC)

Meeting agenda

1. Overview
2. Capital expenditure and discussion
3. Operating expenditure and discussion
4. Revenue and prices and discussion
5. Engagement and next steps

Meeting notes

Presentation slides that accompany these notes are published on the [Powerlink Customer Panel webpage](#).

Overview

Roger Smith, Director Revenue Reset, opened the meeting with an Acknowledgement of Country and introduced presenters and guests.

An overview of the meeting purpose and agenda was provided, followed by a summary of engagement activities to date, high level financial positions, and key risks and benefits.

Roger confirmed that the Revenue Proposal was lodged with the Australian Energy Regulator (AER) on 30 January 2026. He noted that publication by the AER was anticipated on Friday 13 February, at which point Powerlink would also publish the proposal on its website.

Roger noted that RPRG member feedback had influenced the content and format of the Revenue Proposal, including:

- combining historical and forecast information into a single chapter for Capital Expenditure and a single chapter for Operating Expenditure, rather than separating these as in previous proposals,
- inclusion of additional appendices, including on deliverability, and
- ensuring that key themes in the business narrative were consistently developed across the main documentation and supporting appendices.

A timeline of key milestones for the 2027–32 determination process was presented, including indicative dates for publication of the AER Issues Paper and the AER Public Forum.

Discussion, questions and responses

1. Is the AER Public Forum going to be combined with AusNet's?
 - a. No. The forum will related solely to Powerlink's Revenue Proposal.
2. Will Powerlink assess the likelihood of capable of acceptance at the draft determination stage?
 - a. The intention from the outset has been to put forward a Revenue Proposal that is capable of acceptance at the draft determination stage. We genuinely believe the Revenue Proposal provides for an appropriate level of revenue to allow us to continue providing safe and reliable transmission services while minimising price impacts to customers.

Capital expenditure and discussion

Aidan Lawlor, Capex Lead Revenue Reset, presented an overview of Powerlink's proposed capital expenditure for the 2027–32 regulatory period, noting key difference between the draft and lodged Revenue Proposal.

Key points included:

- forecast capital expenditure of \$2,499.5 million (real, 2026/27), representing a 66 per cent increase relative to the current regulatory period,
- confirmation that the forecast excludes synchronous condensers and the Gladstone Priority Transmission Investment (PTI), which are to be progressed through separate regulatory pathways,
- inclusion of a number of “least regret” easement investments to support future development, and
- reclassification of physical security expenditure and adjustments to the spend profile to support deliverability.

Aidan outlined the drivers of the capital expenditure forecast, noting both higher unit costs (labour and materials) and increased workload, and referred to the deliverability assessment documented in the Revenue Proposal appendices.

Discussion, questions and responses

It was suggested it would be beneficial to provide additional clarity on contingent and Integrated System Plan (ISP) identified projects, including what projects are included or excluded and how potential future impacts are communicated.

It was explained that these projects are excluded due to uncertainty, hence are progressed through separate regulatory processes. It was acknowledged that the written explanation in the proposal could be clearer.

1. Has NGNO expenditure increased or simply shifted between regulatory periods?
 - a. Changes reflect timing and phasing rather than an increase in total programme cost but this will be confirmed and a more complete response provided.
2. How are cybersecurity costs treated across network and non-network expenditure categories, and can a consolidated view be provided?
 - a. Cybersecurity investment spans both network and non-network activities and is allocated according to regulatory cost categories, based on the primary driver of expenditure. A consolidated cybersecurity investment case has been developed, which may assist in providing a clearer overall view of cybersecurity costs across categories. See [ITOT Cyber Security Investment Case](#) under Supporting Information provided with the Revenue Proposal.
3. Is physical security expenditure appropriately classified?
 - a. Yes. Physical security expenditure has been reclassified since the draft Revenue Proposal based on the primary driver of the expenditure, rather than being entirely allocated to asset replacement.
4. Could the proposal provide clearer written explanation of which contingent and ISP-identified projects are excluded and why?
 - a. Powerlink will consider whether additional clarification could be provided and reflect on whether to apply this to the Revised Revenue Proposal.

5. Has the exclusion of Gladstone PTI and synchronous condensers from the capital forecast and their potential future impacts on customers been considered?
 - a. Yes. In appendix 10.01, the impacts of the synchronous condensers and Gladstone PTI are included.
6. Could Powerlink provide greater visibility of potential future price impacts associated with contingent projects, similar to the modelling provided for the Gladstone PTI and synchronous condensers?
 - a. Modelling that combines price impacts for these types of projects would risk overstating impacts. By definition contingent projects involve a high level of uncertainty of scope and timing, which affects the reliability of any cost estimate that might be produced. It is also very unlikely that all contingent projects would be triggered within the 2027–32 period. Presenting aggregate scenarios for contingent projects could create a misleading impression given the low likelihood that multiple projects would proceed concurrently.

Note: For context and to illustrate the uncertainty surrounding contingent projects, Powerlink has only progressed one contingent project since its first Revenue Proposal in 2001.
7. Are the easements only required for contingent projects?
 - a. No. There are 5 projects in total, 3 are associated with contingent projects. The other two are to accommodate load growth in southern Cairns and south Logan. There is a project pack (i.e. investment case) being published which provides further information.
8. Do project deferrals reflect efficient portfolio reprioritisation rather than cost shifting?
 - a. Yes. Project deferrals occur for several reasons, including updated condition information delaying necessary timing of works, resource availability, interaction with future network needs and portfolio prioritisation.
9. How are cost estimates developed and governed, and why are Class 3 estimates still used given recent cost escalation?
 - a. Class 3 estimates represent a minimum standard and are often more mature in practice. The estimate class is defined by the maturity of inputs at time of estimation and may result in an accuracy band less than the maximum range. Improved governance, two-stage approvals and independent challenge are intended to reduce cost risk and improve accuracy, subject to unforeseen external factors. Our response to Action 11.1 which will be provided shortly provides a breakdown of project delivery performance by project value and helps to illustrate this.
10. Does the capital forecast include risk and contingency allowances?
 - a. No. The portfolio-level capital forecast does not include explicit contingency with risk managed through project-level governance and portfolio reprioritisation.
11. Is there scope to present alternative capital scenarios or trade-offs given the size of the increase?
 - a. Scenario modelling occurs internally and through RIT-T processes but presenting portfolio-wide alternative scenarios in the Revenue Proposal would be complex and potentially misleading.

Operating expenditure and discussion

Michelle Beavis, Opex Lead Revenue Reset, presented Powerlink's proposed operating expenditure for the 2027–32 period.

Key points included:

- forecast operating expenditure of \$1,810.2 million (real, 2026/27), a 19 per cent increase relative to the current period,
- use of 2025–26 as the base year,
- application of the AER's standard trend and rate-of-change methodology, and
- inclusion of three step changes relating to physical security, cloud-based services and enhanced overnight network monitoring.

Changes between the draft and lodged Revenue Proposal were outlined, including updates to inflation assumptions, treatment of insurance and productivity adjustments based on the AER's latest benchmarking report.

Discussion, questions and responses

There was discussion about the benchmarking of base year opex. It was noted that HoustonKemp was unable to assess whether the base year was not materially inefficient due to the lack of comparable trend data from other Transmission Network Service Providers (TNSPs). It was further noted that HoustonKemp's assessment is relative; if all TNSPs have experienced productivity declines, none may be assessed as not materially inefficient on a comparative basis. It was also noted that the AER will utilise Annual Information Order (AIO) data in its benchmarking reports to inform its view on base year efficiency. An updated HoustonKemp report incorporating the latest AIO data is expected to inform Powerlink's Revised Revenue Proposal.

Recent AER draft decisions for Victorian electricity distribution businesses were referenced in discussion on step-change materiality. It was noted that, while not explicitly defined, an implicit threshold of around 1 per cent of operating expenditure appeared to be applied, and that the proposed physical security uplift falls below this level.

12. How has productivity been treated given benchmarking results showing declining productivity?
 - a. The AER's benchmarking and productivity input has been applied, with a productivity improvement incorporated into the operating expenditure forecast and the forecast reduced accordingly. That benchmarking is a relative measure and productivity improvements are expected to be delivered through a range of initiatives embedded in business-as-usual activities, supported by Powerlink's Innovation Framework. There is also potential in the future to participate in cross-industry work to inform improved output measures so they better reflect what is driving costs in the current operating environment.

Revenue and prices and discussion

Roger Smith, Director Revenue Reset, presented an overview of forecast Maximum Allowed Revenue (MAR) and customer price impacts.

Key points included:

- forecast MAR of \$5,265.3 million (real, 2026/27), a 25 per cent increase relative to the current period,
- the significant influence of higher interest rates on the rate of return,

- adoption of a custom smoothing approach consistent with RPRG and surveyed customer preferences, and
- indicative first-year impacts on the transmission component of electricity bills of approximately \$7 for residential customers and \$14 for small businesses.

Discussion, questions and responses

There was discussion around the drivers of MAR growth, particularly the interaction between interest rates and capital expenditure. The assumptions underpinning pricing impacts was also discussed, including treatment of excluded projects, communication of bill impacts for commercial & industrial customers, and flexibility within the pricing methodology to respond to future legislative changes.

13. Can Powerlink provide price impact information to its large directly connected customers?
 - a. Yes. These customers can request tailored impact assessments through their customer advisors. After a Revenue Proposal is publicly available, in the normal course of business, Powerlink proactively reaches out to customers to offer the projections.
14. Why does the pricing methodology allow for amendments during the regulatory period?
 - a. This reflects the need to transparently respond to future legislative or regulatory requirements, if they arise, and does not imply a known or planned change to prices or cost recovery.

Engagement and next steps

Gerard Reilly, General Manager Communications, Customer and Engagement, outlined Powerlink's proposed engagement approach following lodgement of the Revenue Proposal.

Key points included:

- confirmation that engagement with the RPRG and Customer Panel will continue throughout the determination process,
- upcoming milestones, including the Customer Panel meeting in March, the AER Issues Paper and Public Forum, and RPRG Meeting in May, and
- an intention to focus future engagement on issues raised by the RPRG and matters identified by the AER.

Discussion, questions and responses

RPRG members indicated general comfort with the proposed engagement approach and timing, noting that the need for additional meetings would depend on the content of the AER Issues Paper and emerging requirements. There was also discussion on the timing and availability of an embargoed copy of the AER Issues Paper to align with the Customer Panel meeting being held on 26 March.

RPRG members provided positive feedback on the engagement process. One noted the consistent and transparent nature of the proposal throughout the engagement period, observing that changes to forecasts were clearly communicated and that overall costs reduced over time—an outcome not commonly seen. Another expressed appreciation for the open and transparent engagement, noting that the proposal was consistent with prior discussions and presented in a clear, neutral and fact-based manner. The *2027-32 Revenue Proposal Overview* was also highlighted as a useful tool for communicating the proposal to other stakeholders and members.

Actions Arising

	Action	Responsible person	Due
10.1	Include details of lessons learnt and deliverability assessment processes and supporting data	Aidan Lawlor	Complete
11.1	Provide a breakdown of project delivery performance by project value	Aidan Lawlor	Complete
11.2	Provide updated commentary summarising RPRG experience and views on the engagement process for inclusion in the Revenue Proposal	Mark Grenning	Complete
12.1	Provide clarification on the treatment of deferred capital projects from the current regulatory period identified in Table 4.4 of the Revenue Proposal, including the indicative value of deferred projects and confirmation of the reasons for deferral.	Aidan Lawlor	27/02/2026
12.2	Provide further information on changes (from the draft proposal to the January 2026 proposal) to forecast Next Generation Network Operations (NGNO) costs, including whether changes reflect timing shifts or changes to total programme cost.	Aidan Lawlor	27/02/2026
12.3	Include written explanations identifying which contingent and ISP-identified projects are excluded, and the reasons for their exclusion, in the Revised Revenue Proposal.	Roger Smith	December 2026
12.4	Confirm when an embargoed copy of the AER Issues Paper may be provided to Powerlink, subject to AER processes.	Roger Smith	27/02/2026
12.5	Present draft Submission, and content for Customer Panel meeting slides	Mark Grenning	17/03/2026