Revenue Proposal Reference Group Meeting No.16

Details of Meeting	
Date and time of meeting	13:00 – 15:00, Wednesday, 19 August 2026
Location	Powerlink Offices, Virginia

Attendees	Organisation
RPRG members – customer representatives	
Chris Hazzard	St Vincent de Paul Society
Mark Grenning (Independent Chair)	Consumer Advocate
Nardia Yeates (online)	Aurizon
Robyn Robinson	Council on the Ageing (COTA)
Stephanie McKechnie	Queensland Farmers' Federation (QFF)
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	
Eleonore Bridier (Convenor)	Customer Engagement Specialist
Grant Haydon	Manager Network and Alternate Solutions
Jacqui Bridge	Executive General Manager Network Investment
Jared Rodell (online)	Pricing and Billing Analyst
Martin Pavelka (online)	Finance and Modelling Analyst Revenue Reset
Michelle Beavis	Opex Lead Revenue Reset
Nina Zhuang	Finance & Modelling Lead Revenue Reset
Sally Taylor (online)	Manager Pricing and Billing
Simon Hendry (online)	Governance, Assurance and Estimating Coordinator Revenue Reset
Vanessa Morris (online)	Capex Analyst Revenue Reset
Invited stakeholders	
Ben Fu (online)	Australian Energy Regulator (AER)
Michael Brothers (online)	Australian Energy Regulator (AER)
Apologies	
Katie-Anne Mulder	Queensland Renewable Energy Council (QREC)

Meeting agenda

1. Opex base year result
2. Central Queensland synchronous condensers
3. Contingent project modelling
4. Any other business
5. Forward looking engagement agenda

Meeting notes

Presentation slides that accompany these notes are published on the Powerlink Customer Panel webpage.

Opening and agenda overview

Presenter: Roger Smith, Director Revenue Reset

Roger outlined the agenda, which included the 2025/26 opex base year result, an emerging challenge relating to potential system strength expenditure and its recovery, contingent project modelling, and the forward-looking engagement agenda. Roger noted that the meeting would also provide an opportunity to discuss members' feedback on contingent project price impact modelling.

Base year operating expenditure result (2025/26)

Presenter: Michelle Beavis, Opex Lead Revenue Reset

Michelle provided an update on Powerlink's unaudited operating expenditure results for the 2025/26 base year. She advised that expenditure was about $11 million higher than forecast in the Revenue Proposal. Most of the difference related to a one-off inventory provision adjustment identified through a review of stock that had been held for an extended period. The provision reduced the recorded value of this inventory.

As the inventory provision was a non-recurrent cost, Powerlink proposed removing it through a base year adjustment rather than carrying it into the forward forecast. Other elements of the model were also updated to reflect revealed costs, including relevant step changes. On a like-for-like basis, the adjusted base year and resulting forward forecast remained close to those included in the Revenue Proposal. Michelle cautioned that the updated figure presented was for comparison and did not represent Powerlink's Revised Revenue Proposal.

It was also advised that independent advisors, HoustonKemp, had updated their base year efficiency report using Powerlink's revealed costs and the latest available comparative data from other transmission network service providers. Its conclusion was that the benchmarking results support a finding that Powerlink's opex base year 2025/26 is not materially inefficient.

Central Queensland Synchronous Condensers

System Strength RIT-T

Presenter: Grant Haydon, Manager Network and Alternate Solutions

Grant provided an update on the Material Change in Circumstances (MCC) assessment being undertaken for the System Strength Regulatory Investment Test for Transmission. He explained that the original assessment covered 2025 to 2035 and used a portfolio approach. Changes to assumptions about coal-fired generation retirements affected the later years of that assessment, requiring Powerlink to undertake a MCC assessment before progressing the contingent project application.

The contingent project application remained focused on the first four synchronous condensers. Powerlink anticipated that the MCC assessment would confirm the need for this first tranche, while reconsidering requirements in the latter part of the assessment period. Powerlink has proposed an approach to the Australian Energy Regulator (AER) involving a draft assessment, consultation and a final assessment. The AER will decide the relevant process.

Discussion, questions and responses

Members asked why a MCC assessment was required if the need for the first four synchronous condensers was unlikely to change. Powerlink explained that the assessment was required as assumptions affecting the broader 2025 to 2035 assessment period had changed, even though the anticipated outcome for the first tranche remained unchanged. Members also sought clarification about whether consultation was mandatory or a matter of judgement. Powerlink advised that its proposed consultation approach reflected the extent of its market engagement to date, which remains underway, noting the final approach would be decided by the AER.

Capex update: system strength

Presenters: Roger Smith and Powerlink representatives

Roger outlined a developing challenge relating to a fifth system strength service. Powerlink advised that the service was expected to be required by 2031. Powerlink had been seeking a non-network solution, but no solution had yet reached the level of certainty needed to rely on it within the required timeframe. At the same time, lead times meant a decision on securing a synchronous condenser production slot was approaching.

Powerlink explained that this timing created difficulty from a cost recovery perspective. The potential expenditure was not included in Powerlink's Revenue Proposal (Jan 2026) to provide as much time as possible for a non-network solution to satisfy the requirements to be considered a credible option. However, committing to a network solution during the current regulatory period, such as by securing a production slot, could make it difficult to treat the expenditure as a contingent project for the next period. The AER has also advised Powerlink that while it could include the network cost into the Revised Revenue Proposal, making such significant change at this point in the process was not preferred. Powerlink has raised the issue with the AER, but no preferred pathway has yet been identified.

Discussion, questions and responses

Members explored whether Powerlink could initially pay to secure a production slot and defer the final purchase decision while non-network options continued to be assessed. Powerlink advised that securing a slot would involve expenditure in the current regulatory period and would attract a financial penalty under the Capital Expenditure Sharing Scheme. Members questioned whether that penalty would be reasonable where the expenditure was intended to preserve an option for meeting a regulatory obligation.

The discussion considered whether expenditure could instead be included in the Revised Revenue Proposal. Powerlink explained that it had received advice from the AER that its Revised Revenue Proposal should not be substantially different or contain significant new expenditure. It also noted that the potential project was not sufficiently developed for inclusion in the current contingent project application. Members questioned whether a new regulatory requirement could justify including the expenditure in the Revised Proposal and suggested that this pathway should continue to be explored.

Members asked about the cost of securing a production slot, the scale of the potential investment and the effect on Powerlink's capex. The discussion highlighted that the initial option payment would be materially lower than the full project cost but would still involve spending outside the existing capex allowance. Powerlink also explained that a non-network solution would have different recovery arrangements, not subject to the same complexity.

Members asked whether the synchronous condenser lead time reflected manufacturing time or global demand. Powerlink advised that manufacturers had limited production capacity and an existing queue of orders. A member asked whether a production slot could be transferred or sold if it was no longer needed. Powerlink indicated that this may be possible, but that in any case the payment to secure a production slot would only delay the contracting decision by a few months, potentially still within the current regulatory period.

A member asked whether Powerlink would make the same decision again, given the difficulty now being experienced. Powerlink said it would still seek to avoid over-ordering or committing to capital expenditure to allow the market to engage with meeting the need, and to achieve a lower cost option. It noted that the difficulty had arisen from the interaction between an emerging need, transitional regulatory arrangements and the timing of the revenue reset.

A member also noted that there appears to be a legitimate need to include more expenditure in the Revised Revenue Proposal, even though the AER may not like it.

Members also discussed the prospect of non-network solutions becoming available in time. Powerlink noted that market conditions had made it more difficult for new projects to reach financial close. Participants questioned whether proposed developments could realistically be delivered by 2031.

Powerlink clarified that the purpose of the discussion was to explain the emerging issue and its complexity, rather than seek an immediate solution or formal recommendation from members. It would continue working with the AER on potential pathways and update members as the position developed. Powerlink noted that it was raising the issue early to keep members informed and avoid any surprises if the expenditure ultimately needed to be addressed through the Revised Revenue Proposal.

Contingent project modelling

Presenter: Roger Smith, Director Revenue Reset

Roger provided an update on Powerlink's modelling of potential customer price impacts from projects that may arise outside the Revenue Proposal. The work followed the group's earlier discussion about how contingent projects should be represented and feedback on a subsequent Briefing Paper, which summarises the approach discussed with the RPRG at the July 2026 meeting for representing the indicative price impacts for customers arising from potential projects outside of the revenue determination process, i.e. not included in ex ante forecasts.

The modelling included the Gladstone Project and the first four synchronous condensers, which had previously been modelled, as well as additional projects that had progressed sufficiently through planning or regulatory processes to warrant inclusion. Roger clarified that the additional Central Queensland synchronous condenser represented in the modelling was not the fifth system strength service discussed in the previous agenda item.

Discussion, questions and responses

Members clarified that they wanted the estimate maturity classification shown alongside the cost information, rather than only addressed in a separate assessment. They said the information should explain the estimate class, the associated uncertainty and why the particular estimate used in the price modelling had been selected, i.e. whether the estimate was at the midpoint of the range or something different. Powerlink agreed to include the estimate classification and the basis for the selected estimate in the updated Appendix 10.01 as part of lodgement of the Revised Revenue Proposal.

Members also asked Powerlink to show total project capital expenditure, including expenditure falling outside the 2027 to 2032 regulatory period. They considered that showing only expenditure within the period could give readers an incomplete understanding of the total project. Powerlink agreed to consider adding the total cost and its distribution across regulatory periods.

Members also discussed the effect of long-lived assets beyond 2032. They noted that the customer impact would not end in that year and that expenditure on projects continuing into a later regulatory period could produce further changes. The discussion reinforced the need to explain that the 2032 figure was a point-in-time annual impact, not a cumulative total cost over the period that would cease after 2032.

A member asked how Powerlink intended to communicate potential impacts to directly connected customers. Roger advised that calculating the impact for a large customer was more complex and could require customer-specific analysis. Powerlink had asked its pricing team to consider whether a simpler approach was feasible but had not committed to providing this modelling. A direct discussion with the relevant pricing representative was proposed to explore what information might be possible beyond what is included in the Revised Revenue Proposal, noting there is a very short timeframe to respond to the AER's Draft Decision.

A member commended Powerlink on the work undertaken to explain the indicative price impacts of potential future projects. He noted he was not aware of other network service providers providing this level of detail and considered the information valuable in helping stakeholders understand the implications of future investment decisions. Powerlink advised that the modelling was an initial view and that it would refine the presentation and supporting explanation before formal publication.

Forward looking agenda

Presenters: Gerard Reilly, General Manager Communications, Customer and Engagement

Gerard outlined the engagement planned between the meeting and the Revised Revenue Proposal. Roger advised that the AER's Draft Decision was expected on 30 September 2026 and that Powerlink was preparing for significant scrutiny of its capital expenditure forecast, including its project business cases, cost-benefit analysis and ability to deliver the proposed program. Powerlink has started further work in areas where it considered additional evidence or analysis might be required.

The next Customer Panel meeting is scheduled for 8 October 2026. The meeting is expected to include Powerlink's annual review of expenditure performance and a Chief Executive accountability session. Further RPRG meetings are planned for October and November, with the October meeting focused on the Draft Decision and the November meeting providing an overview of changes expected in the Revised Revenue Proposal.

Powerlink advised that the Revised Revenue Proposal is due on 2 December 2026, based on the regulatory response period following publication of the Draft Decision. Members discussed the AER's pre-determination conference, which is expected to occur approximately three weeks after the Draft Decision and is likely to be held online around 20 October 2026, though this has not yet been confirmed.

Powerlink advised that the Transmission Network Forum in Brisbane is planned for 26 November 2026. The agenda was still being developed but may respond to increasing interest in data centres and the challenges created by large, rapid changes in electricity demand.

Discussion, questions and responses

Members discussed preparation of the RPRG's submission. A member indicated that the group expected to follow a similar process to its earlier submission, including sharing a draft with Powerlink. The intention was to provide the draft before the submission deadline so there would be no surprises.

Roger invited members to identify issues requiring further engagement once the Draft Decision was available. He noted that opportunities for additional engagement would be limited due to the short response period but said Powerlink would seek to accommodate priority issues where possible.

Members also asked what work Powerlink could undertake on the Gladstone Project while awaiting further decisions. Powerlink advised that it had funding to progress work in the short to medium term and had commenced early activity on part of the project, including access preparation and upcoming construction contracts.

Actions

Item	Action	Responsible person	Due
15.1	Provide a summary of contingent projects proposed to be included and excluded from illustrative modelling, including key assumptions and terminology changes.	Roger Smith	Complete
15.2	Circulate the proposed contingent project representation and modelling for member feedback.	Roger Smith	Complete
15.3	Schedule additional RPRG meetings before and after lodgement of the Revised Revenue Proposal, with the pre-lodgement meeting proposed to be virtual only.	Eleonore Bridier	Complete
16.1	Update Appendix 10.01 with new modelling to: • Include estimate maturity and basis for selected estimates. • Total project cost incl. expenditure outside 27-32. • Clarify what the 2032 impact represents i.e. annual increase and beyond the period.	Aidan Lawlor	November
16.2	Provide an update on cost recovery options and decisions for the fifth system strength service.	Roger Smith	October meeting