

2026-31 HCC RNI Project

Attachment 8.1

Adjustment Mechanisms

16 May 2025



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1 Summary

This attachment outlines Ausgrid's proposed adjustment provisions for the first *Electricity Infrastructure Investment Act 2020* (NSW) (**EII Act**) regulatory period (period commencing on 1 July 2026) for the Hunter-Central Coast Renewable Energy Zone Network Infrastructure project (**HCC RNI Project**).

A revenue determination under the EII Act, similarly to a revenue determination under the National Electricity Rules (**NER**), may include provisions for the adjustment of any amount included in the revenue determination, whether or not the amount relates to a capital cost.¹

Like Chapter 6A of the NER, EII Chapter 6A contemplates revenue adjustment provisions which will apply so that Ausgrid can recover (or return) costs arising from predefined events that are not included in the building block model underpinning the revenue allowance.

Revenue adjustment events are an important part of the incentive framework as they allow for price adjustments to be made in response to large, unexpected and uncontrollable events that result in cost changes. In the absence of adjustment mechanisms, Ausgrid would likely hold higher levels of contingency to manage the impact of such events on the project, which may not be efficient or in the interests of customers. Adjustment events can also allow Ausgrid to return cost savings to customers, where certain costs turn out to be lower than forecast due to factors outside our control.

Ausgrid proposes cost adjustment events that fall into five broad categories.

Table 1: Cost adjustment event categories

Predetermined events, which reflect adjustment events specified in EII Chapter 6A	
Automatic adjustment mechanisms , which reflect a one-off update to the cost of equity to reflect the actual risk free rate, and annual updates for actual inflation and return on debt	
Nominated Cost Adjustment Events	Standard events , which are adjustment events for AER distribution and transmission determinations that are commonly approved by the AER
	EnergyCo contractual compliance events , which are events that are either required to be included under the contractual arrangements with EnergyCo or are necessary to reflect those contractual arrangements
	Procurement induced cost uncertainty events , which reflect that the unique procurement process for the HCC REZ has resulted in a higher than usual degree of uncertainty around certain cost items at the current stage of the process

2 Process

Ausgrid proposes the following process to adjust revenue and quarterly payments to reflect the adjustment events.

2.1 Overview

If a positive change event occurs, Ausgrid may seek the approval of the AER to recover a positive adjustment amount.² If a negative change event occurs, the AER may require Ausgrid to return a negative adjustment amount as determined by the AER.³ In both cases, Ausgrid must present

¹ *Electricity Infrastructure Investment Regulation 2021* (NSW) (**EII Regulations**), cl 51.

² EII Chapter 6A, cl 6A.7.3(a).

³ EII Chapter 6A, cl 6A.7.3(b).

evidence to the AER of the change event and the AER will make a determination as to the adjustment amount and how it should be addressed in the revenue determination.

EII Chapter 6A sets out that when adjusting payments a Network Operator must provide:⁴

- 1) a description of the components to be adjusted
- 2) the timing of the adjustment for each component, or relevant trigger event
- 3) a detailed explanation of the proposed method of indexation, escalation or adjustment
- 4) identification of the authoritative source (or sources) of indices or data to be used for any indexation, escalation or adjustment.

Ausgrid expects that in assessing the additional costs or cost savings due to an adjustment event, the AER will have regard to, amongst other things, whether the additional costs or cost savings are prudent, efficient and reasonable.

In all cases, adjustment to revenue following a change event can only be claimed or approved to the extent the relevant costs are not already provided for under the Revenue Determination. Where a change event could fall under more than one adjustment event category, it will only be claimed under one category (i.e. there should be no double counting).

2.2 Annual review

Ausgrid proposes that the adjustment process will be undertaken annually. Ausgrid will provide a submission to the AER by 31 March each year with evidence of any adjustment events that have occurred over the previous calendar year and Ausgrid's proposed updates to the EII post tax revenue model (**EII PTRM**) which will show the adjustments to revenue.

Ausgrid understands that the AER will need some time to review the proposed adjustments, updated revenue and quarterly payments, and consider compliance with the Revenue Determination and regulatory requirements. Ausgrid proposes to allow two months for this review, meaning that the AER will determine any adjustments to the revenue requirement and payment schedule by 31 May.

Ausgrid will provide the updated quarterly payment schedule to the Scheme Financial Vehicle by 30 June along with the AER's decision. Any revenue adjustments approved by the AER will take effect from 1 July of each relevant year.

Reflecting the requirements of the EII PTRM, we propose to input the proposed nominal adjustment values for each year of the regulatory period in real 2025-26 dollars.

2.3 Automatic adjustments

The annual review process will include updates to the quarterly payment schedule to incorporate the following automatic adjustments once actual data is known:

- the risk free rate (year 1 only)
- inflation (annual update)
- cost of debt (annual update).

The adjustments will be incorporated in the EII PTRM to update the quarterly payment schedule.

⁴ EII Chapter 6A, S6A.1.3(14).

The updated inflation will be based on actual December-December CPI for weighted average of eight capital cities from the Australian Bureau of Statistics.

Cost of debt will be based on the approach set out in the 2022 Rate of Return Instrument (**2022 RORI**), the averaging periods provided in Chapter 6 of this Revenue Proposal, and the transition to the trailing average period.

Risk free rate will be based on the approach set out in the 2022 RORI, with the averaging period provided in Chapter 6 of the Revenue Proposal.

Adjustment events

In addition to the predetermined adjustment events and automatic adjustment mechanisms, EII Chapter 6A allows for any other event to be specified in a revenue determination as an adjustment event for the determination.⁵

Ausgrid proposes that 18 nominated adjustment events be included in the Revenue Determination in addition to the predetermined events and automatic adjustment mechanisms.

Each of the nominated adjustment events has been designed to align with the principle set out in s 37(1)(a) of the EII Act, namely that:

a network operator is entitled to recover the prudent, efficient and reasonable costs incurred by the network operator for carrying out the infrastructure project.

In Table 2 we:

- provide a description of each of Ausgrid's proposed adjustment events to apply to the HCC RNI Project
- explain why each proposed nominated adjustment event is necessary to allow Ausgrid to recover the prudent, efficient and reasonable costs it will incur in delivering the project.

2.4 Adjustment mechanisms and agreement with EnergyCo

Ausgrid's proposal in relation to adjustment events reflects what was discussed and agreed with EnergyCo, with two exceptions that are explained below. Under the Commitment Deed, Ausgrid's Revenue Proposal must provide for the DSP Adjustment Events specified in Schedule 11 of the Commitment Deed and no other adjustments. Schedule 11 of the Commitment Deed is a list of adjustments that was discussed and agreed between Ausgrid and EnergyCo, including certain adjustments required to give effect to the contractual arrangements and risk allocation for the project.

The list of DSP Adjustment Events agreed with EnergyCo, as set out in Schedule 11 of the Commitment Deed, is set out in Table 2, where the definition of each event in Schedule 11 is in the second column.

In the third column of Table 2, Ausgrid has provided a simplified explanation for the proposed adjustment events. The simplified explanation or alternative formulation in the third column is not intended to be substantively different from the definition in the second column. Rather, the alternative formulation or explanation of the event is intended to more closely align with how trigger events for cost pass through or adjustment are typically specified in regulatory determinations.

The two areas in which the explanations in the third column differ from those in the second are:

⁵ EII Chapter 6A, cl 6A.7.3(a1)(5).

- 1) Ausgrid has added one event to provide for an adjustment to the cost of equity after the averaging period for the risk-free rate has passed ('risk free rate update' event). The need for this adjustment was not contemplated during negotiation of the Commitment Deed, and therefore it does not appear in Schedule 11.



Aside from these two modifications:

- The explanations of the proposed adjustment events as set out in the third column of Table 2 are intended to be consistent with the DSP Adjustment Events set out in Schedule 11 of the Commitment Deed.
- In the event of any discrepancy between the explanations in the second and third columns, the explanation of the DSP Adjustment Events in the Commitment Deed (i.e. those in the second column) are intended to take precedence.

Table 2: Cost adjustment events

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
Predetermined events			
Regulatory requirements ⁶	An increase or decrease in the revenue the Proponent may recover to accommodate additional prudent, efficient, and reasonable costs the Proponent incurs in complying with: 1. a regulatory requirement, as defined in s46(3) of the EII Regulations.	A regulatory requirement as defined in clause 46(3) of the EII Regulations.	This event is required to ensure that Ausgrid is able to recover the prudent, efficient and reasonable costs it incurs in complying with a regulatory requirement.
Service standard event ⁷	An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs from a service standard event, as defined in NER Chapter 10 (Service Standard Event).	A service standard event as defined in Chapter 10 of the NER.	These events are necessary to ensure that Ausgrid may recover the prudent, efficient and reasonable costs associated with any tax changes, service standard changes or insurance-related events (as those events are defined in the NER).
Tax change event ⁸	An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs from a tax change event, as defined in NER Chapter 10 (Tax Change Event).	A tax change event as defined in Chapter 10 of the NER.	As above.
Insurance event ⁹	An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs from an insurance event, as defined in NER Chapter 10 (Insurance Event).	An insurance event as defined in Chapter 10 of the NER.	As above.

⁶ EII Chapter 6A, cl 6A.7.3(a1)(1).

⁷ EII Chapter 6A, cl 6A.7.3(a1)(2).

⁸ EII Chapter 6A, cl 6A.7.3(a1)(3).

⁹ EII Chapter 6A, cl 6A.7.3(a1)(4).

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
Automatic adjustment mechanisms			
Risk free rate update ¹⁰	N/A	Following the AER's EII PTRM Guidance Note, we propose to make a one-off update to the cost of equity to reflect the actual cost of equity once the nominated averaging period has passed.	<p>The timeframes applicable to the Revenue Determination process under the EII framework warrant the adoption of a placeholder averaging period for the risk free rate, which is a component of the cost of equity. A placeholder averaging period will need to be used to determine the cost of equity in the AER's determination, because the nominated averaging period may occur after the determination.</p> <p>The AER's EII PTRM Guidance Note provides a mechanism enabling Ausgrid to update the rate of return and revenue calculation once the actual nominated averaging period has passed.¹¹</p>
Annual update for actual inflation ¹²	An annual update to revenue for the actual rate of inflation. The actual inflation is the percentage change in the relevant price index used for the escalation of costs in the revenue determination, as published by the Australian Bureau of Statistics' (ABS), from December in year t-1 to December in year t-2.	<p>Using the EII PTRM, we propose to make:</p> <ul style="list-style-type: none"> a one-off CPI adjustment to the nominal vanilla WACC (fixed real time varying) used to derive the opening RAB value once the actual 2025-26 CPI is known annual CPI adjustments to remove forecast inflation and apply actual inflation in the calculation of the quarterly payments. 	<p>The inflation update events are intended to allow for automatic and mechanistic updates to:</p> <ul style="list-style-type: none"> the pre-period expenditure as a one-off adjustment the revenue and quarterly payments each year of the regulatory period to reflect actual CPI.
Return on debt update ¹³	Return on debt update to the allowed rate of return. Updated rate of return is the applicable	Using the EII PTRM, we propose to make annual updates to the cost of debt. The 2022	The return on debt update events are intended to allow for automatic and

¹⁰ See: AER, *Guidance note – Amendments to NER PTRM for determinations under the Electricity Infrastructure Investment Act and Regulations*, November 2024, s 5 (**EII PTRM Guidance Note**).

¹¹ AER, EII PTRM Guidance Note, s 5.

¹² See: AER, EII PTRM Guidance Note, p 11.

¹³ See: AER, EII PTRM Guidance Note, p 11.

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
	rate of return calculated for year t, updated for the return on debt calculated for year t, in accordance with the 2022 RORI and using the averaging periods approved by the Regulator.	<p>RORI includes provisions requiring annual updates to the cost of debt component. Clause 3 of the 2022 RORI establishes that the allowable rate of return for each regulatory year is as follows:</p> $k_t = ke(1 - G) + k_t^d \times G$ <p>Where k_t^d is the allowed return on debt for the regulatory year t, thereby indicating annual calculations.</p> <p>It should also be noted that, for the first regulatory year of the regulatory control period, the timeframes applicable to the Revenue Determination process under the EII framework warrant the adoption of a placeholder averaging period for the cost of debt. A placeholder averaging period will need to be used to determine the cost of debt in the AER's determination, because the nominated averaging period is likely to occur after the AER's Final Determination. The AER's EII PTRM Guidance Note provides a mechanism enabling Ausgrid to update the rate of return and revenue calculations once the actual nominated averaging period has passed.</p> <p>The adjustments in the remaining regulatory years of the regulatory control period will be made annually to reflect the actual cost of debt arising from the nominated averaging periods. Calculation of the transitional trailing average cost of debt:</p> <p>Clause 9 of the 2022 RORI provides detailed calculation methods for the allowed return on debt using a trailing average formula.</p>	<p>mechanistic updates to the revenue and quarterly payments to reflect:</p> <ul style="list-style-type: none"> the actual cost of debt arising from the nominated averaging periods during the regulatory period (refer to section 6.2.1 of the Revenue Proposal); and the application of the transitional trailing averaging mechanism.

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
		<p>As the determination for the HCC RNI Project under the EII framework is new and distinct from the NER, we will follow the AER's approach to transition to the trailing average for the return on debt calculation, whereby by year 10 a rolling 10-year window is established. This results in the following weights:</p> <ul style="list-style-type: none"> Regulatory Year 2026-27: 100% on-the-day return on debt Regulatory Year 2027-28: (90% x 2026-27 return on debt) + (10% x 2027-28 return on debt) Regulatory Year 2028-29: (80% x 2026-27 return on debt) + (10% x 2027-28 return on debt) + (10% x 2028-29 return on debt) Regulatory Year 2029-30: (70% x 2026-27 return on debt) + (10% x 2027-28 return on debt) + (10% x 2028-29 return on debt) + (10% x 2029-30 return on debt) Regulatory Year 2030-31: (60% x 2026-27 return on debt) + (10% x 2027-28 return on debt) + (10% x 2028-29 return on debt) + (10% x 2029-30 return on debt) + (10% x 2030-31 return on debt). 	
Standard events			
Insurance coverage event	<p>An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs following an insurance coverage event:</p> <p>An insurance coverage event occurs if:</p> <ol style="list-style-type: none"> the Proponent: <ol style="list-style-type: none"> makes a claim or claims and receives the benefit of a payment or payments under a 	<p>An insurance coverage event occurs if:</p> <ol style="list-style-type: none"> Ausgrid: <ol style="list-style-type: none"> makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy or set of insurance policies; or would have been able to make a claim or claims under a relevant insurance policy or set 	<p>Insurance coverage event has the same meaning as in the AER's distribution determination for Ausgrid for the 2024-29 regulatory control period (Ausgrid's 2024-29 Distribution Determination).</p> <p>Ausgrid proposes that the definitions of 'insurance coverage event' and 'insurer's credit risk event' adopted by the AER in Ausgrid's 2024-29 Distribution</p>

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
	<p>relevant insurance policy or set of insurance policies; or</p> <p>b) would have been able to make a claim or claims under a relevant insurance policy or set of insurance policies but for changed circumstances; and</p> <p>2. the Proponent incurs costs:</p> <p>a) beyond a relevant policy limit for that policy or set of insurance policies; or</p> <p>b) that are unrecoverable under that policy or set of insurance policies due to changed circumstances; and</p> <p>3. the costs referred to in paragraph 2 above materially increase the costs to the Proponent in providing direct control services.</p> <p>For the purposes of this insurance coverage event:</p> <ul style="list-style-type: none"> • 'changed circumstances' means movements in the relevant insurance liability market that are beyond the control of the Proponent, where those movements mean that it is no longer possible for the Proponent to take out an insurance policy or set of insurance policies at all or on reasonable commercial terms that include some or all of the costs referred to in paragraph 2 above within the scope of that insurance policy or set of insurance policies; • 'costs' means the costs that would have been recovered under the insurance policy or set of insurance policies had: <ul style="list-style-type: none"> ○ the limit not been exhausted; or 	<p>of insurance policies but for changed circumstances; and</p> <p>2. Ausgrid incurs costs:</p> <p>a) beyond a relevant policy limit for that policy or set of insurance policies; or</p> <p>b) that are unrecoverable under that policy or set of insurance policies due to changed circumstances; and</p> <p>3. the costs referred to in paragraph 2 above materially increase the costs to Ausgrid in providing direct control services.</p> <p>For the purposes of this insurance coverage event:</p> <ul style="list-style-type: none"> • 'changed circumstances' means movements in the relevant insurance liability market that are beyond the control of Ausgrid, where those movements mean that it is no longer possible for Ausgrid to take out an insurance policy or set of insurance policies at all or on reasonable commercial terms that include some or all of the costs referred to in paragraph 2 above within the scope of that insurance policy or set of insurance policies; • 'costs' means the costs that would have been recovered under the insurance policy or set of insurance policies had: <ul style="list-style-type: none"> ○ the limit not been exhausted; or ○ those costs not been unrecoverable due to changed circumstances; • a relevant insurance policy or set of insurance policies is an insurance policy or set of insurance policies held during the regulatory control period or a previous 	<p>Determination should apply to the RNI project.</p> <p>The 'insurance coverage event' and 'insurer's credit risk event' have been accepted as 'nominated adjustment events' for distribution determinations under Chapter 6 of the NER, including Ausgrid's 2024-29 Distribution Determination.</p> <p>The AER has accepted that these events are necessary to allow a network operator to recover material costs that are incurred either above an applicable insurance policy limit or due to an insurer becoming insolvent.</p> <p>Ausgrid proposes to adopt the definitions of these events that have previously been accepted by the AER.</p>

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
	<ul style="list-style-type: none"> those costs not been unrecoverable due to changed circumstances; a relevant insurance policy or set of insurance policies is an insurance policy or set of insurance policies held during the regulatory control period or a previous Description regulatory control period in which the Proponent was regulated; the Proponent will be deemed to have made a claim on a relevant insurance policy or set of insurance policies if the claim is made by a related party of the Proponent in relation to any aspect of the Proponent's network or business; and the Proponent will be deemed to have been able to make a claim on a relevant insurance policy or set of insurance policies if, but for changed circumstances, the claim could have been made by a related party of the Proponent in relation to any aspect of the Proponent's network or business. <p>Note for the avoidance of doubt, in assessing an insurance coverage event through application under rule 6.6.1(j), the Regulator will have regard to:</p> <ul style="list-style-type: none"> i) the relevant insurance policy or set of insurance policies for the event; ii) the level of insurance that an efficient and prudent Distribution Network Service Provider would obtain, or would have sought to obtain, in respect of the event; iii) any information provided by the Proponent to the Regulator about the Proponent's actions and processes; and 	<ul style="list-style-type: none"> regulatory control period in which Ausgrid was regulated; Ausgrid will be deemed to have made a claim on a relevant insurance policy or set of insurance policies if the claim is made by a related party of Ausgrid in relation to any aspect of Ausgrid's network or business; and Ausgrid will be deemed to have been able to make a claim on a relevant insurance policy or set of insurance policies if, but for changed circumstances, the claim could have been made by a related party of Ausgrid in relation to any aspect of Ausgrid's network or business. 	

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
	iv) any guidance published by the Regulator on matters the Regulator will likely have regard to in assessing any insurance coverage event that occurs.		
Insurer's credit risk event	<p>An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs following an insurer's credit risk event.</p> <p>An insurer credit risk event occurs if an insurer of the Proponent becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, the Proponent:</p> <ul style="list-style-type: none"> a) is subject to a higher or lower claim limit or a higher or lower deductible than would have otherwise applied under the insolvent insurer's policy; or b) incurs additional costs associated with funding an insurance claim, which would otherwise have been covered by the insolvent insurer. <p>Note: in assessing an insurer credit risk event pass through application, the Regulator will have regard to, amongst other things:</p> <ul style="list-style-type: none"> the Proponent's attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer's track record, size, credit rating and reputation; and in the event that a claim would have been covered by the insolvent insurer's policy, whether the Proponent had reasonable opportunity to insure the risk with a different provider. 	<p>An insurer credit risk event occurs if an insurer of Ausgrid becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, Ausgrid:</p> <ul style="list-style-type: none"> a) is subject to a higher or lower claim limit or a higher or lower deductible than would have otherwise applied under the insolvent insurer's policy; or b) incurs additional costs associated with funding an insurance claim, which would otherwise have been covered by the insolvent insurer. <p>Note: in assessing an insurer credit risk event adjustment application, the AER will have regard to, amongst other things:</p> <ul style="list-style-type: none"> i) Ausgrid's attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer's track record, size, credit rating and reputation; and ii) in the event that a claim would have been covered by the insolvent insurer's policy, whether Ausgrid had reasonable opportunity to insure the risk with a different provider. 	<p>As above, insurer's credit risk event has the same meaning as in Ausgrid's 2024-29 Distribution Determination.</p>

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
Natural disaster event	An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs following a natural disaster event. Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the regulatory period that changes the costs to the Proponent in carrying out the RNI Project.	Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the regulatory period that changes the costs to Ausgrid in carrying out the HCC RNI Project.	<p>The 'natural disaster event' is necessary to ensure that Ausgrid is able to recover the prudent, efficient and reasonable additional costs it incurs following a natural disaster event.</p> <p>Natural disaster events are routinely accepted by the AER as nominated pass-through events in distribution and transmission determinations under the NER (for example in Ausgrid's 2024-29 Distribution Determination).</p> <p>Ausgrid has ensured that there is no overlap between this event and any allowances made in forecast expenditure for weather variations.</p> <p>For example, Ausgrid and its contractors have made certain assumptions about weather conditions in the downstream subcontracts. Ausgrid has also considered the impact of unexpected inclement weather in the development of risk (contingency) costs. However, these provisions relate to extended rain or heat that may impact project costs or timing; they do not extend to the impact of more material (and more rare) natural disaster events. Adjustments will therefore be required for natural disasters.</p>
Terrorism event	<p>An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs following a terrorism event.</p> <p>Terrorism event means an act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on</p>	<p>Terrorism event means an act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which:</p> <p>1. from its nature or context is done for, or in connection with, political, religious, ideological,</p>	<p>The 'terrorism event' is necessary to ensure that Ausgrid is able to recover the prudent, efficient and reasonable additional costs it incurs following a terrorism event.</p> <p>Terrorism events are routinely accepted by the AER as nominated pass-through events in distribution and transmission determinations under the NER (for example</p>

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
	<p>behalf of or in connection with any organisation or government), which:</p> <ol style="list-style-type: none"> 1. from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear); and 2. changes the costs to the Proponent in carrying out the RNI Project. <p>Note: In assessing a terrorism event pass through application, the Regulator will have regard to, amongst other things:</p> <ol style="list-style-type: none"> i) whether the Proponent has insurance against the event; ii) the level of insurance that an efficient and prudent network operator would obtain in respect of the event; and iii) whether a declaration has been made by a relevant government authority that a terrorism event has occurred. 	<p>ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear); and</p> <ol style="list-style-type: none"> 2. changes the costs to Ausgrid in carrying out the HCC RNI Project. <p>Note: In assessing a terrorism event adjustment application, the AER will have regard to, amongst other things:</p> <ol style="list-style-type: none"> i) whether Ausgrid has insurance against the event; ii) the level of insurance that an efficient and prudent network operator would obtain in respect of the event; and iii) whether a declaration has been made by a relevant government authority that a terrorism event has occurred. 	<p>in Ausgrid's 2024-29 Distribution Determination).</p> <p>Ausgrid has not included an allowance for a terrorism event in development of the risk (contingency) costs.</p>
EnergyCo contractual compliance events			
Regulatory requirements	<p>An increase or decrease in the revenue the Proponent may recover to accommodate additional prudent, efficient, and reasonable costs the Proponent incurs in complying with:</p> <ol style="list-style-type: none"> ...2. a Change in Law or NSW Government Policies (as those terms are defined in the Project Deed). 	<p>A change in Law or mandatory NSW Government Policies event occurs if there is a Change in Law or NSW Government Policies (as those terms are defined in the Project Deed) that changes the costs to Ausgrid in carrying out the HCC RNI Project.</p>	<p>Under the Project Deed, Ausgrid is required to comply with Applicable Electricity Laws as well as all NSW Government Policies, as published from time to time, which apply to Ausgrid's Activities (as that term is defined in the Project Deed) unless the Infrastructure Planner directs otherwise.</p> <p>NSW Government Policies are specified in Schedule 16 to the Project Deed.</p> <p>A change in Law or mandatory NSW Government Policy nominated adjustment event is necessary to ensure that Ausgrid is</p>

[illegible]

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
	the Last Date for Practical Completion under the Project Deed. The reduction in revenue will be an amount equal to the liquidated damages paid by the Proponent to the Infrastructure Planner in accordance with clause 14.3A (Delay Damages) of the Project Deed.	Completion within the meaning of the Project Deed. Where a delay event occurs, Ausgrid has an obligation to pay liquidated damages to the Infrastructure Planner. If a delay event occurs, a reduction in revenue will apply equal to the liquidated damages paid by Ausgrid to the Infrastructure Planner in accordance with clause 14.3A (Delay Damages) of the Project Deed.	Planner under the Project Deed to ensure timely delivery of the HCC RNI Project. Note that this event is a mechanism to pass on the benefit to consumers of any liquidated damages paid by Ausgrid. It does not address general cost increases suffered by Ausgrid in the event of project delay. This event can only ever result in a downward adjustment to Ausgrid's revenue allowance. Under the Project Deed Ausgrid is required to pay liquidated damages where it fails to achieve practical completion by a specified date. Liquidated damages are initially payable to the Infrastructure Planner. However, to ensure that customers are the ultimate beneficiaries, the Project Deed requires Ausgrid to seek a revenue adjustment to reduce Ausgrid's revenue allowance by the amount of the liquidated damages paid. Once the delay adjustment has been approved by the AER and Ausgrid's revenue allowance has been reduced, the liquidated damages will be refunded to Ausgrid by the Infrastructure Planner (to ensure that Ausgrid is only penalised once).
DSP IP Fee Adjustment	An increase or decrease in the revenue the Proponent may recover to reflect a change to the amount of Infrastructure Planner Fees that the Proponent is required to pay the Infrastructure Planner under the Project Deed.	An Infrastructure Planner Fee event occurs if there is a change to the amount of Infrastructure Planner Fees that Ausgrid is required to pay the Infrastructure Planner under the Project Deed.	An Infrastructure Planner Fee nominated adjustment event is necessary to ensure that Ausgrid can recover the cost of payments required to be made to the Infrastructure Planner, which under the Project Deed may be adjusted from time to time. An Infrastructure Planner Fee adjustment provision is consistent with clause

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
			46(1)(b)(ii) of the EII Regulations which states that Ausgrid is entitled to recover payments required to be made by the network operator to the infrastructure planner under a contractual arrangement, if the network operator was required to enter the contractual arrangement under the relevant authorisation.
Reduction in IP Fee due to reduced Technical Services Payments	An increase in the revenue the Proponent may recover where the amount of the Infrastructure Planner Fees that the Proponent is required to pay is reduced under clause 18.1(d) of the Project Deed due to reduced Technical Service Payments (as defined under the Project Deed). The increase in revenue will be equal to the amount of the reduction in Technical Service Payments. This adjustment will only be made where there is a corresponding downward DSP IP Fee Adjustment reflecting the reduced Infrastructure Planner Fee.	A change in expenditure offset event occurs if the amount of the Infrastructure Planner Fees that Ausgrid is required to pay is reduced under clause 18.1(d) of the Project Deed due to reduced Technical Service Payments (as that term is defined in the Commitment Deed). The increase in revenue following a change in expenditure offset event will be equal to the amount of the reduction in Technical Service Payments. This adjustment will only be made where there is a corresponding downward Infrastructure Planner Fee adjustment (following an Infrastructure Planner Fee event) reflecting the reduced Infrastructure Planner Fee.	A change in expenditure timing offset nominated adjustment event is necessary to account for potential changes to the timing of project expenditure. Any adjustment under this event will not change the overall expenditure, but rather will allow for movement of expenditure between categories within the overall revenue allowance to reflect when in the life of the project it actually occurs. Specifically, under the Commitment Deed, some expenditure may be incurred and reimbursed prior to signing the Project Deed to allow for timely and efficient delivery. ¹⁴ Such payments are known as Technical Service Payments. The Infrastructure Planner has incorporated an estimate of Technical Service Payments into the Infrastructure Planner Fee that will be payable under the Project Deed. The Commitment Deed requires that the Infrastructure Planner Fees be adjusted to reflect the actual amount of the Technical Service Payments made by the

¹⁴ The payments from the Infrastructure Planner to Ausgrid for these preliminary activities are referred to as 'Technical Services Payments' and arrangements for invoicing and payment are set out in the Commitment Deed.

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
			<p>Infrastructure Planner. Technical Services Payments may be lower than estimated if some activities currently expected to occur in the Commitment Deed phase end up occurring in the Project Deed phase. The delayed expenditure would instead be incurred in the Project Deed phase.</p> <p>This re-categorisation of expenditure will be effected through two equal and offsetting adjustments:</p> <ul style="list-style-type: none"> • a downward adjustment to reflect reduced Infrastructure Planner Fees following an Infrastructure Planner Fee event, as outlined above; and • an upward adjustment to the revenue allowance to reflect the shifting of expenditure into the Project Deed phase following a change in expenditure timing offset event. <p>The upward revenue adjustment following a change in expenditure timing offset event will only be made where there is a downward revenue adjustment following an Infrastructure Planner Fee event. This ensures that any re-categorisation of expenditure is revenue neutral.</p>
Force Majeure Event under contractual arrangements with the Infrastructure Planner	An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs or cost savings the Proponent achieves following a Force Majeure Event (as defined in the Project Deed), to the extent that such an event does not fall within the definition of any other DSP Adjustment Event.	A Project Deed force majeure event occurs if there is a Force Majeure Event (as defined in the Project Deed) that changes the costs to Ausgrid in carrying out the HCC RNI Project. Force Majeure Event is defined in the Project Deed as a circumstance that satisfies all of the following criteria: [REDACTED] [REDACTED]	A Project Deed force majeure nominated adjustment event is necessary to ensure that Ausgrid's ability to recover its prudent, efficient and reasonable costs in connection with Force Majeure Events outside of our control aligns with the scope of those events under the Project Deed. Note that the events which constitute Force Majeure Events are, by their nature,

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
			<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
Contractor Force Majeure	<p>An increase or decrease in the revenue the Proponent may recover to accommodate the additional costs the Proponent incurs from a contractor force majeure event.</p> <p>The Contractor Force Majeure adjustment mechanism accounts for efficient, prudent, and reasonable additional construction costs incurred by the Proponent:</p> <ul style="list-style-type: none"> i) during the construction phase; ii) as a result of an unforeseen force majeure event impacting the contractor; iii) where the costs are not covered by an existing insurance policy or adjustment mechanism; iv) the Proponent has informed the Infrastructure Planner of the Force Majeure Event consistent with the requirements of the Project Deed; 	<p>A contractor force majeure event occurs if there is an event which satisfies the following criteria:</p> <ul style="list-style-type: none"> i) event occurs during the construction phase; ii) event occurs as a result of an unforeseen force majeure event impacting the contractor; iii) Ausgrid has informed the Infrastructure Planner of the Force Majeure Event consistent with the requirements of the Project Deed; iv) the force majeure event is declared in accordance with the terms of the construction contract; v) the event changes the costs to Ausgrid in carrying out the HCC RNI Project; and the costs are not covered by an existing insurance policy or adjustment mechanism. 	<p>A contractor force majeure nominated adjustment event is necessary as Ausgrid is exposed to the risk of costs arising from force majeure events outside of our control which disrupt the contractor during the construction phase and result in additional construction costs.</p> <p>Ausgrid considers that, rather than allowing additional expenditure to reflect contractor force majeure risk, it is more prudent, efficient, and reasonable to include a contractor force majeure adjustment event. Inclusion of this event was accepted by the AER in the Waratah Super Battery determination as a prudent and efficient</p>

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¹⁵ AER, *Final decision | Transgrid waratah super battery (non-contestable) (1 July 2024 to 30 June 2029) | Made under the Electricity Infrastructure Investment Act 2020 (NSW)*, December 2023, p 34.

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Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
			<div style="background-color: black; height: 10px; width: 100%;"></div> <div style="background-color: black; height: 10px; width: 100%;"></div> <div style="background-color: black; height: 10px; width: 100%;"></div> <div style="background-color: black; height: 10px; width: 100%;"></div> <div style="background-color: black; height: 10px; width: 100%;"></div> <div style="background-color: black; height: 10px; width: 100%;"></div> <div style="background-color: black; height: 10px; width: 100%;"></div> <div style="background-color: black; height: 10px; width: 100%;"></div>
Land Acquisition and Planning Costs	<p>An increase or decrease in the revenue the Proponent may recover to account for:</p> <p>i) actual land acquisition or planning costs for the RNI Project being higher or lower than the forecast amount accepted by the Regulator in the Revenue Determination; or</p> <p>ii) additional costs arising (including in connection with project delay) as a result of a Legal Challenge (as defined in the Project Deed) to planning approvals or the Proponent's Review of Environmental Factors (REF) for the RNI Project; or</p> <p>iii) additional costs arising (including in connection with project delay) as a result of an Environmental Notice (as defined in the Project Deed) being issued in connection with the RNI Project.</p>	<p>A land acquisition and planning costs event occurs if:</p> <p>i) actual land acquisition or planning costs for the HCC RNI Project are higher or lower than the forecast amount accepted by the Regulator in the Revenue Determination; or</p> <p>ii) additional costs arise (including in connection with project delay) as a result of a Legal Challenge (as defined in the Project Deed) to planning approvals or Ausgrid's Review of Environmental Factors (REF) for the HCC RNI Project; or</p> <p>iii) additional costs arise (including in connection with project delay) as a result of an Environmental Notice (as defined in the Project Deed) being issued in connection with the HCC RNI Project.</p>	<p>A land acquisition and planning costs nominated adjustment event is necessary because at this stage Ausgrid has, due to the HCC RNI Project procurement process, been unable to engage with land owners and local authorities in relation to land access and planning approvals required for the HCC RNI Project.</p> <p>Ausgrid has included an allowance for land acquisition based on the amount of land it expects will need to be acquired. The expected land acquisition costs are identified in section 5.4.3 of the Revenue Proposal.</p> <p>Ausgrid has included an allowance for planning costs based on the planning processes that it expects will need to be completed, i.e. the REF process. The expected planning costs are identified in section 5.4.7 of the Revenue Proposal.</p> <p>However, actual costs may be higher or lower than these allowances.</p> <p>Ordinarily, Ausgrid would have been able to gauge land acquisition and planning costs prior to submitting its expenditure forecasts. Due to procurement process restrictions, we</p>

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
			<p>have not yet been able to complete the required stakeholder engagement and consultation processes.</p> <p>The land acquisition and planning costs adjustment provision therefore allows for either an upward or downward adjustment to account for prudent, efficient, and reasonable changes to land acquisition and planning costs due to factors outside Ausgrid's control.</p> <p>Ausgrid has not included an allowance for uplift in land acquisition costs in development of the risk (contingency) costs. There is an allowance in risk costs for ancillary costs relating to land acquisition (such as legal and valuation costs), but there is no allowance for direct land acquisition costs.</p> <p>Ausgrid has not included an allowance for a legal challenge to the REF process in development of the risk (contingency) costs. We have not included an allowance for dealing with an Environmental Notice. There is an allowance in risk costs for additional offset planting or vegetation screening arising from planning approval within the REF process but not for costs arising from a legal challenge or environmental notice.</p>
Unforeseen Artefacts, Native Title Claims or Contamination	<p>An increase or decrease in the revenue the Proponent may recover to account for a change in prudent, efficient, and reasonable design and construction costs to the Proponent from the following trigger events:</p> <p>i) Native Title Claims (as defined in the Project Deed) which could not reasonably have been anticipated as at the date of the Project Deed</p>	<p>An unforeseen artefacts, native title claims or contamination event occurs if one of the following trigger events occurs which changes the costs to Ausgrid in carrying out the HCC RNI Project:</p> <p>i) Native Title Claims (as defined in the Project Deed) which could not reasonably have been anticipated as at the date of the Project Deed</p>	<p>An unforeseen artefacts, native title claims, or contamination nominated adjustment event is necessary because at this stage, for reasons outside our control, Ausgrid has been unable to complete all the necessary investigations to identify artefacts, native title claims and site contamination which may impact project costs.</p>

Event	Definition per the Commitment Deed	Explainer	Ausgrid rationale
	<p>by a prudent, competent and experienced person engaged in the same or similar type of undertaking as the Proponent and its Subcontractors (as defined in the Project Deed), as the case may be, under the same or similar circumstances as the delivery of the RNI Project (as defined in the Project Deed) that had examined the Project Site (as defined in the Project Deed) and its surroundings (to the extent access to the Project Site and landowners was available), examined all information available (or made available) to the Proponent and performed such other reasonable due diligence as was able to be performed;</p> <p>ii) the discovery and impacts of Excluded Contamination (including compliance by the Network Operator with any related Environmental Notice) on, in, over or under or about the Project Site (each as defined in the Project Deed); or</p> <p>iii) discovery, treatment, protection and removal of Artefacts on the Project Site (each as defined in the Project Deed) located on land that was not owned or controlled by the Proponent as at the date of the Project Deed, that could not reasonably have been anticipated at the date of the Project Deed by a prudent, competent and experienced person engaged in the same or similar type of undertaking as the Proponent and its Subcontractors (as defined in the Project Deed), as the case may be under the same or similar circumstances as the delivery of the RNI Project (as defined in the Project Deed) that had examined the Project Site (as defined in the Project Deed) and its surroundings (to</p>	<p>by a prudent, competent and experienced person engaged in the same or similar type of undertaking as Ausgrid and its Subcontractors (as defined in the Project Deed), as the case may be, under the same or similar circumstances as the delivery of the HCC RNI Project that had examined the Project Site (as defined in the Project Deed) and its surroundings (to the extent access to the Project Site and landowners was available), examined all information available (or made available) to Ausgrid and performed such other reasonable due diligence as was able to be performed;</p> <p>ii) the discovery and impacts of Excluded Contamination (including compliance by the Network Operator with any related Environmental Notice) on, in, over or under or about the Project Site (each as defined in the Project Deed); or</p> <p>iii) discovery, treatment, protection and removal of Artefacts on the Project Site (each as defined in the Project Deed) located on land that was not owned or controlled by Ausgrid as at the date of the Project Deed, that could not reasonably have been anticipated at the date of the Project Deed by a prudent, competent and experienced person engaged in the same or similar type of undertaking as Ausgrid and its Subcontractors (as defined in the Project Deed), as the case may be under the same or similar circumstances as the delivery of the HCC RNI Project that had examined the Project Site (as defined in the Project Deed) and its surroundings (to the extent access to the Project Site and landowners was available), examined all information available (or made</p>	<p>Ausgrid has included an allowance for these matters based on the investigations and due diligence that it has been able to conduct to date. However, actual costs may be higher or lower than this allowance, depending on actual site conditions.</p> <p>Ordinarily, Ausgrid would have been able to undertake more extensive investigations prior to submitting its expenditure forecast. Due to restrictions placed on Ausgrid in the procurement process, we have not yet been able to complete the required investigations. The unforeseen artefacts, native title claims or contamination adjustment event therefore allows for either an upward or downward adjustment that is prudent, efficient and reasonable in the situation where actual site conditions are different from those currently assumed.</p> <p>Ausgrid has not included an allowance for the cost impact of such events in development of the risk (contingency) costs. There is an allowance in risk costs for a known native title claim, but not for unforeseen native title claims. There is an allowance in risk costs for contamination on Ausgrid owned sites, but "Excluded Contamination" is limited to sites which Ausgrid does not own or control.</p>

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Appendix A: [Redacted]

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Table A-1:

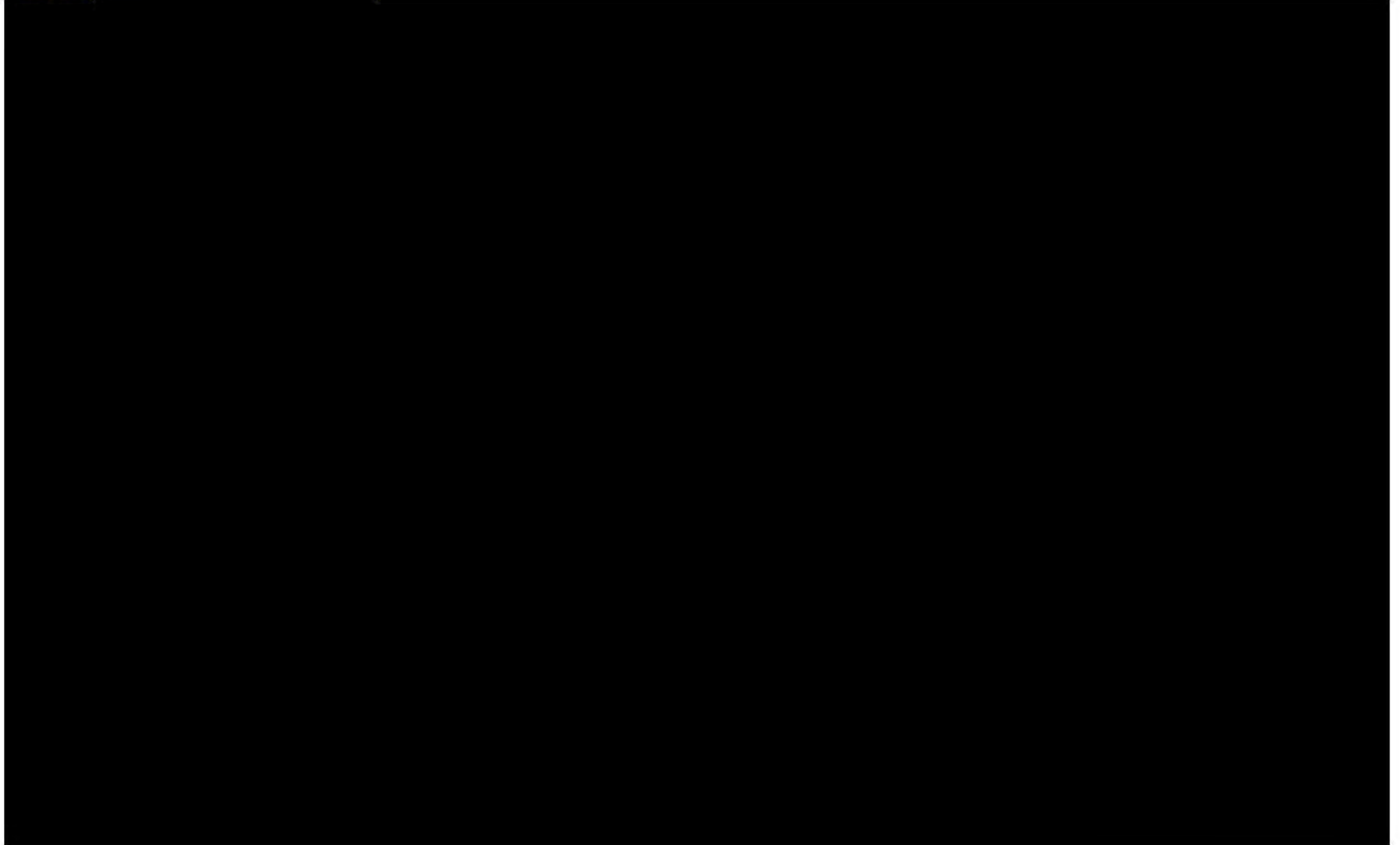




Table A-2:



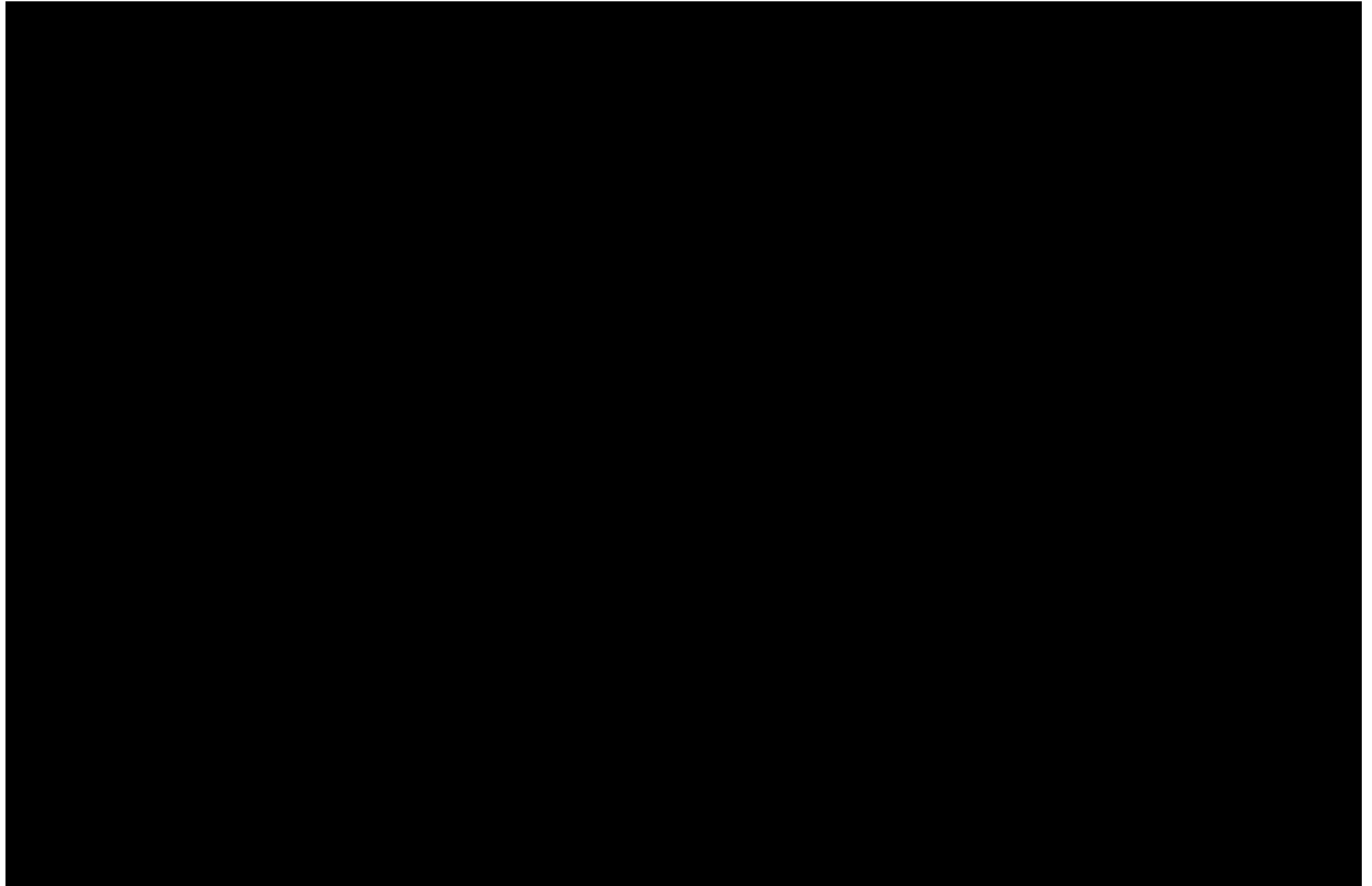


Table A-3:



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Table A-4:

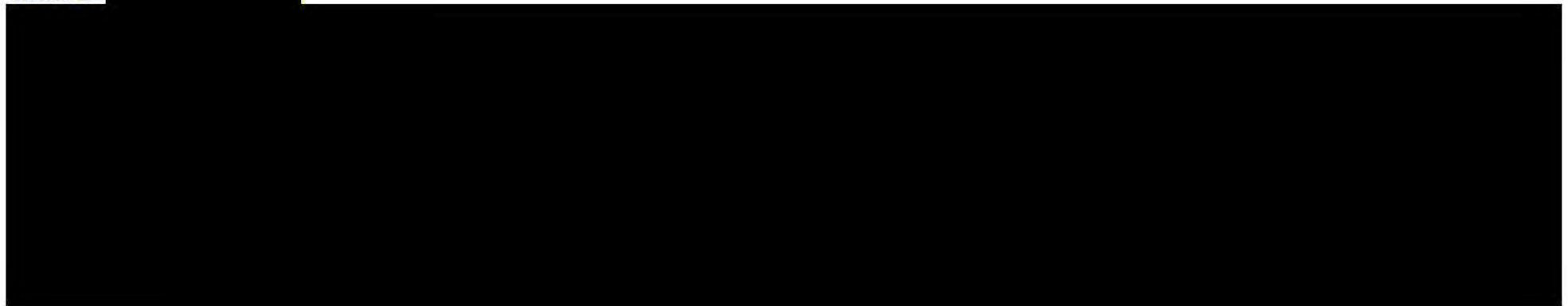
Table A-5:

Table A-6:

Table A-7:

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Table A-8:

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Appendix B: [REDACTED]

Table B-1: [REDACTED]

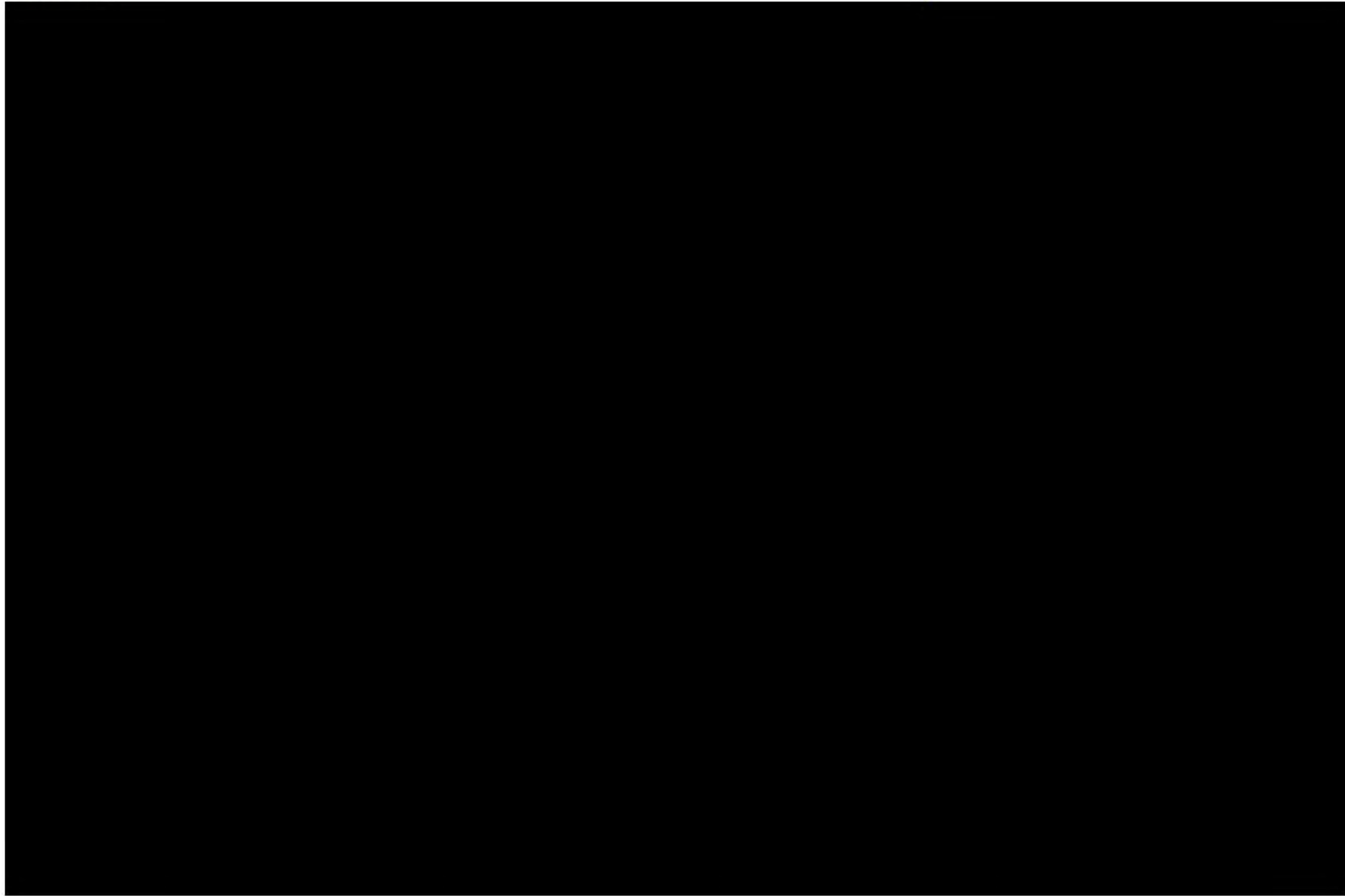
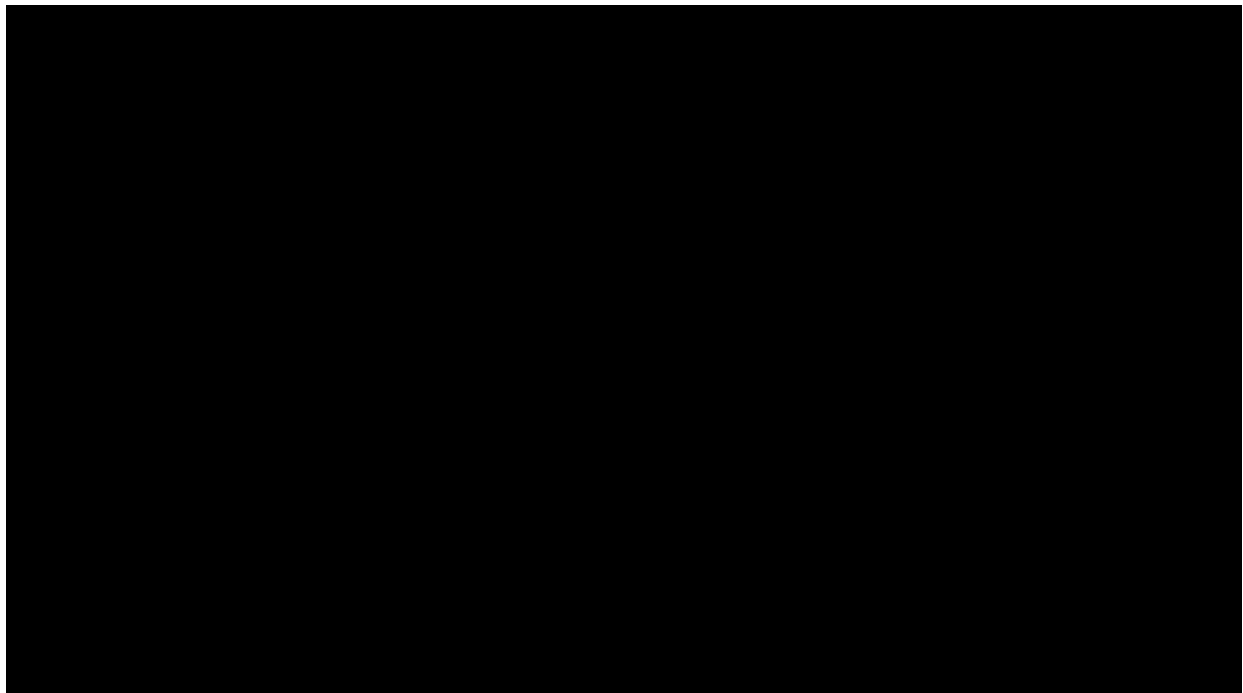


Table B-2: [Redacted]

[Redacted Table Content]



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