

4 July 2025

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Dear Kris

Adjustment of revenue proposal - Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project

We refer to the revenue proposal that Ausgrid submitted for the Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project (**HCC RNIP**) on 16 May 2025.

On 6 June 2025, Ausgrid responded to an information request from the Australian Energy Regulator (**AER**). This response indicated that Ausgrid inadvertently omitted shared costs (those not directly attributed to specific projects) for capex (**CAM allocated capex**) from the calculation of our forecast capital expenditure (**capex**) for the HCC RNIP. This resulted in our capex forecast being approximately \$13 million (real FY26) lower than it should have been.

The purpose of this letter is to advise the AER of our updated revenue proposal which corrects the capex forecast. **Attached** to this letter is an updated post-tax revenue model (**PTRM**) which reflects our proposed adjustment to capex and the resulting impact to revenue. EnergyCo was notified of this update in writing on 1 July 2025.

Overview of the proposed adjustment

Our revenue proposal submitted on 16 May 2025 included a capex forecast of \$590.8 million (real FY26). Due to an unintentional error, CAM allocated capex related to non-system assets such as fleet, information and communications technology (**ICT**) and property overheads were not included in our forecast capex. These are required to support the delivery of the HCC RNIP.

The following table outlines the key changes to our revenue proposal that result from adjusting our forecast capex:

Item	Value in revenue proposal submitted May 2025	Value in adjusted revenue proposal	Change
Total capex (real FY26)	\$590.8m	\$604.2m	\$13.4m
Revenue 2027-31 (nominal)	\$161.4m	\$163.9m	\$2.5m
Closing RAB (nominal)	\$618.8m	\$632.1m	\$13.3m

Our updated forecast

Our revised capex forecast for the HCC RNIP is \$604.2 million (real FY26). This updated amount fully incorporates all allocations required under our AER approved cost allocation methodology (**CAM**), including previously omitted shared capex costs associated with non-system assets.

It is important to correct this error to:

- align our forecast with Ausgrid's approved CAM;
- ensure our capex forecast accurately reflects the costs we expect to incur in the delivery of the HCC RNIP; and
- avoid triggering a Capital Expenditure Sharing Scheme (**CESS**) penalty where Ausgrid's expenditure is efficient and consistent with our CAM.

The capex adjustment will not increase the overall capex allowance to Ausgrid, only the allocation between our different lines of business. Ausgrid will propose a corresponding reduction to standard control service (**SCS**) capex for the purpose of calculating CESS at our next SCS regulatory determination, that offsets this increase in the capex for the HCC RNIP.

Ausgrid made a genuine unintentional error

As stated above, Ausgrid's exclusion of the CAM allocated costs from our forecast capex was a genuine and unintentional oversight. This was identified while responding to an AER information request, during which Ausgrid determined that an inadvertent omission had occurred. We promptly notified the AER upon becoming aware of the issue. Addressing this oversight will ensure a more accurate revenue proposal for the HCC RNIP.

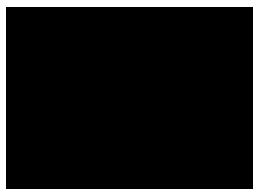
The unintentional error was found early

Ausgrid notified the AER of the inadvertent omission of CAM allocated costs in writing on 6 June 2025. This was three weeks after the submission of our revenue proposal for the HCC RNIP, two months before the AER is expected to publish their preliminary position paper and five months before the AER is expected to make their final decision on the proposal. Therefore, the omission has been found relatively early in the AER's review and decision process.

As a result, we consider there is sufficient time for the adjusted capex to be included in the AER's consultation processes, preliminary position paper and final decision. Therefore, we do not believe any prejudice will be caused by adjusting our revenue proposal to correct the inadvertent omission.

Please contact me if you have any queries.

Regards,



Fiona McAnally
Head of Regulation