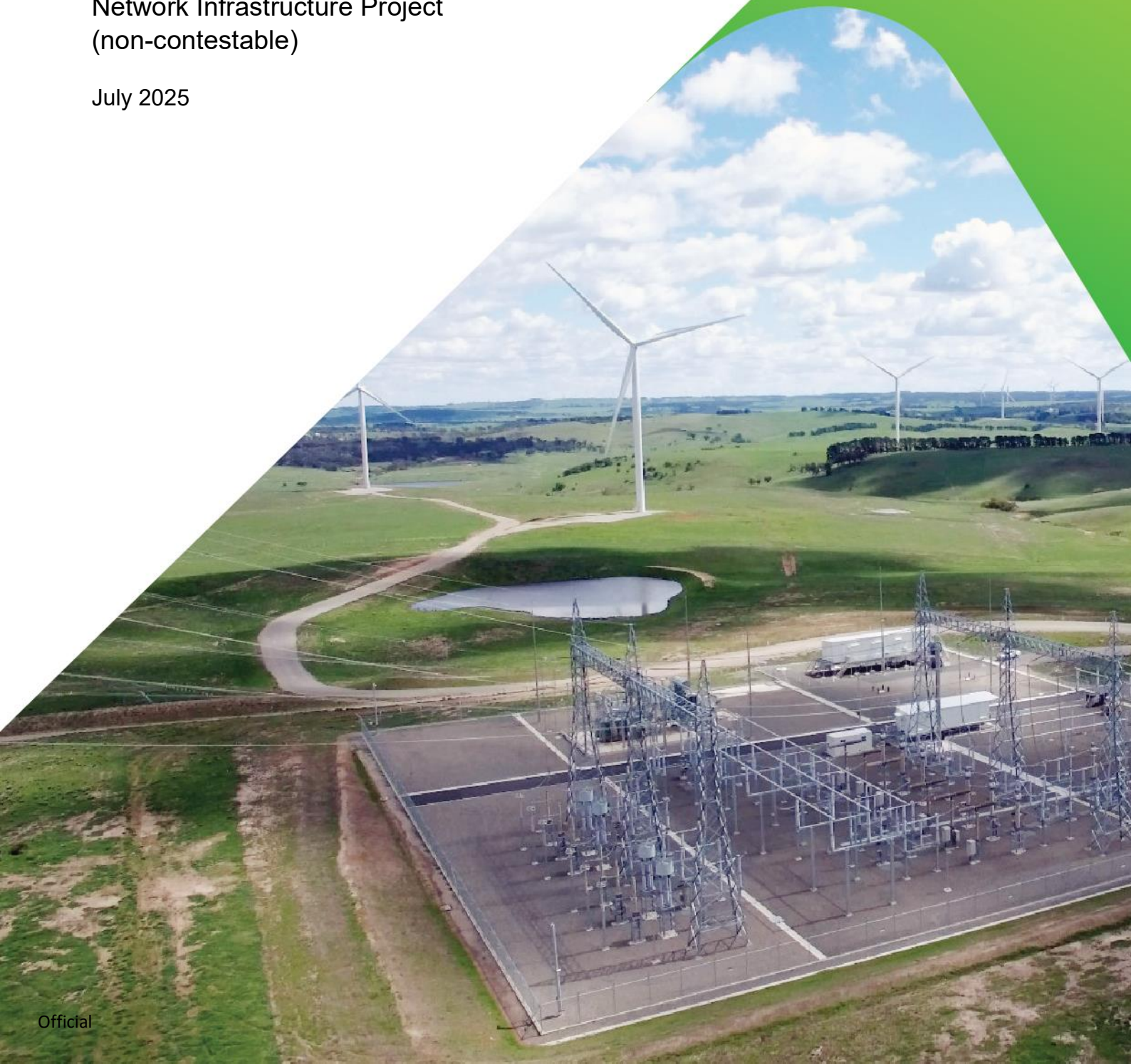
A.9 Labour and Indirect Capex Forecasting Methodology

2026-31 Revenue Proposal for the Enabling Central-West Orana Renewable Energy Zone Network Infrastructure Project (non-contestable)

July 2025



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Contents

Acknowledgement of Country

In the spirit of reconciliation, the Transgrid Group acknowledges the Traditional Custodians of the lands where we work, the lands we travel through and the places in which we live.

We pay respect to the people and Elders past and present, and celebrate the diversity of Aboriginal and Torres Strait Islander peoples and their ongoing connections to the lands and waters of NSW and the ACT.

Pokolbin, NSW
Artwork: Yura. Gili. Nanga. the indigenous interpretation of Power. People. Possibilities

1. Purpose, structure and scope of this document

1.1. Context

Transgrid has been engaged by EnergyCo to deliver the Enabling Central-West Orana (CWO) Renewable Energy Zone (REZ) Network Infrastructure Project (referred to herein as the 'Enabling CWO RNIP' or the 'Project'). The Project involves augmenting the existing transmission network to enable the connection of the Main CWO REZ Network Infrastructure Project ('Main CWO RNIP'), which will be delivered by ACEREZ as the Network Operator.

The Project is the first RNIP to be connected to our existing backbone 500kV transmission network and involves a first-of-its-kind contractual model. The Enabling CWO RNIP has a unique set of commercial and technical delivery challenges including:

- delivery under a new commercial framework, featuring complex and intertwined contractual arrangements including contracts with EnergyCo, ACEREZ (a consortium consisting of three separate entities), our design and construction (D&C) contractor Zinfra and third-party equipment suppliers, requiring dedicated resources to ensure effective implementation and compliance
- a combination of brownfield and greenfield works, each presenting distinct delivery challenges and requiring sufficient oversight to balance resourcing and effectively coordinate between different phases
- complex interface management, particularly in areas where existing infrastructure is modified, or where third-party activities intersect with construction (e.g. ACEREZ's overcrossing of TL79).
- scope interdependencies, technical interfaces and site and program coordination, including with other external bodies to manage outage requirements
- network integration challenges including incorporating new and modified assets that may result in compliance and operational standards risk
- contractual obligations with EnergyCo to deliver the required scope under agreed timelines.

We have taken a thoughtful approach to delivering and operating the Project, focusing on effectively managing these challenges and optimising project outcomes. Drawing from lessons learned from recent and ongoing projects, we have adapted our delivery strategy to ensure we meet the Project's delivery timeframes.

The timely delivery of the Project is critical to maintaining a safe, reliable, secure and sustainable supply of electricity in NSW following the anticipated closure of the Eraring Power Station in 2027. To meet this timeline, EnergyCo has committed funding for early development activities up to 31 December 2026 under the Project Deed. Under the Project Deed, we are required to reimburse EnergyCo for these early development activity costs.

The EII framework allows us to recover payments required to be made to EnergyCo under the Project Deed in our Revenue Proposal.[1] The AER's non-contestable Guideline states:

> *(W)here a Network Operator is required to make payments to the Infrastructure Planner under a contractual arrangement as part of a relevant authorisation, we will pass them through as part of our non-*

[1] EII Regulation, cl. 46(1)(b)(ii).

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contestable revenue determination. That is, we do not review the efficiency, prudency or reasonableness of these costs but must still include them in our non-contestable revenue determination. [2]

Instead, the Project Deed stipulates that the early development activity costs must be demonstrably prudent, efficient and reasonable and are subject to review and acceptance by EnergyCo. As such, while this methodology document summarises Infrastructure Planner costs as part of total capital expenditure (capex) for the Project, it does not detail the forecasting methodology for these costs as this is not within the scope of the AER's review.

At the time of submitting the Revenue Proposal, the Project's scope does not include the acquisition, energisation and operation of Barigan Creek Switching Station (BCSS). BCSS will be covered by our Consumer Trustee Authorisation only after the Consumer Trustee (as an authorisation provider) approves the transfer and the asset is formally transferred to us. As such, costs associated with the purchase, commissioning, operation and management of BCSS are excluded from our capex and opex forecasts for the Project. Instead, these costs are proposed to be recovered via an adjustment to our revenue, following the successful transfer of BCSS.

This document relates to our labour and indirect capital expenditure (capex), which includes labour resources to support the delivery phase of the Project, labour-related costs such as travel expenses, training or recruitment and indirect activities such as professional and consulting services, licence fees, legal fees and insurance premiums related to the Project. It also includes our pre-period capex, incurred for development activities that took place prior to the commencement of the regulatory period.

1.2. Purpose and scope of this document

The purpose of this document is to explain and justify the methodologies we have used in developing our labour and indirect actual and forecast capex for the Project. Labour and indirect capex comprises:

- actual costs incurred from 1 July 2020 to 30 June 2022, relating to our pre-period costs
- actual and forecast costs from 1 July 2021 to 31 December 2026, which relates to Infrastructure Planner costs. These costs are described in our Direct Capex Forecasting Methodology document and are only referenced in this document where relevant, and
- forecast costs from 1 January 2027 to 30 June 2031, which relates to costs that we will incur for internal labour resources to support the project. Labour and labour-related capex also includes on-costs, support costs, outsourced labour, recruitment and training costs, travel and accommodation and sustenance and costs that we will incur for indirect activities for a wide range of professional and consulting services. Indirect capex also includes licence fees, project site office costs, legal fees and insurance premiums.

Forecast expenditure has been identified as either capex or operating expenditure (opex) in a manner consistent with relevant accounting standards including AASB116 (the accounting standard for property, plant and equipment) and our Expenditure Capitalisation Standard. For the Project, all labour and indirect costs incurred during the development and construction phase have been treated as capex as they are directly attributable to the Project, will be incurred prior to commissioning and form part of a systematic and planned activity of the Project.[3] Operation and maintenance related labour costs are captured separately in

[2] AER, Transmission Efficiency Test and revenue determination guideline for NSW non-contestable network infrastructure projects, July 2024, section 5.6.
[3] Refer to section 4.3.1 of our Expenditure Capitalisation Standard.

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the opex forecast, reflected in the Opex Forecast Model and explained in the Opex Forecasting Methodology, provided as an attachment to this Revenue Proposal.

The regulatory period for the Project is from 1 July 2026 to 30 June 2031 (2026-31 regulatory period). Labour and indirect costs incurred up to 31 December 2026 are Infrastructure Planner costs and are subject to review by EnergyCo. As such, these costs do not form part of the AER review process. This is explained in further detail in section 4 of the Direct Capex Forecasting Methodology. Accordingly, this methodology paper focuses on explaining the approach to, and breakdown of, labour and indirect costs from 1 January 2027 onwards.

The approach employed to calculate our labour and indirect costs, as described in this document, is consistent with the approach we have taken for other projects and has been verified externally by GHD.

Unless otherwise stated, all values in this document are presented in real 2025-26 dollars.[4]

Real labour escalation is not discussed as part of this report. Real labour escalation is applied in the Capex Forecast Model, as explained in the Direct Capex Forecasting Methodology.

Totals presented in tables may not add due to rounding. Zero values in tables are included where the specific units used do not allow for a meaningful representation of the costs (i.e. the costs are less than $0.1 million).

1.3. Document structure

The remainder of this document is structured as follows:

- Chapter 2 summarises historical and forecast direct labour and indirect capex for the Project
- Chapter 3 sets out our actual direct labour and indirect capex incurred from 1 July 2020 to 30 June 2022 (pre-period costs)[5]
- Chapter 4 explains and justifies our forecasting methodology for labour, labour-related and indirect capex
- Chapter 5 provides a detailed breakdown of our forecast labour capex
- Chapter 6 provides a detailed breakdown of our forecast indirect capex, and
- Chapter 7 sets out the key assumptions underpinning our forecast labour and indirect capex.

[4] The financial values exclude both inflation and any real input cost escalation (including labour) from 30 June 2025 onwards.

[5] For clarity, this excludes costs incurred in 2021-22 that have been repaid by EnergyCo. These pre-period costs relate only to expenditure that we have not been compensated for, in any capacity, to date.

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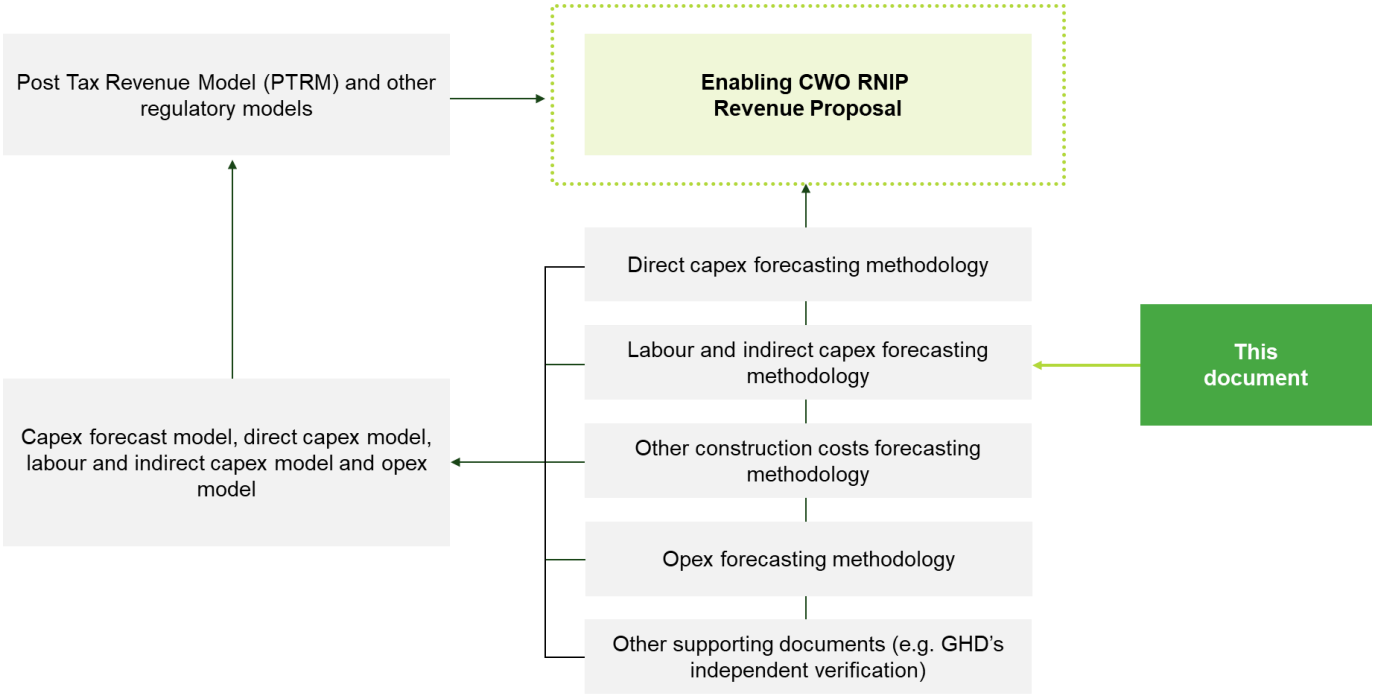
1.4. Structure of the Revenue Proposal

There are a number of other attachments and models that support, and form part of, our Revenue Proposal for the Project. This document references these attachments, models and other supporting documents for further detail and should be read in conjunction with all other documents comprising our Revenue Proposal.

Our Revenue Proposal is structured as illustrated in Figure 1-1 to be as clear and accessible as possible to the AER, customers and other stakeholders.

Figure 1-1 Enabling CWO RNIP Revenue Proposal document structure



Attachments and supporting models comprising our Revenue Proposal are also detailed in Chapter 1 of our Revenue Proposal document.

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2. Summary of total labour and indirect capex

Our forecast labour, labour-related and indirect capex cover key project functions and professional and consulting services required to deliver the Project safely, efficiently and on schedule. These costs are essential to performing the full scope of activities required during project development, construction and commissioning phases.

Our total forecast of $70.0 million for total labour, labour-related, and indirect capex includes:

- $8.2 million in pre-period costs, and
- $61.9 million in forecast capex over the 2026-31 regulatory period.

These cost forecasts are critical to securing the necessary capabilities and services required to progress the Project through design reviews, approvals, land acquisition, stakeholder engagement, construction and handover.

The forecast comprises the following key cost components:

- **Direct labour costs** which cover project development, project delivery management, community and stakeholder engagement, land and environmental activities and other support and corporate activities
- **Direct labour-related costs** which cover travel expenses, training, recruitment and IT hardware costs, and
- **Indirect costs** which cover professional and consulting services, predominantly supporting environmental and biodiversity management activities, and a portion of capitalised labour and labour-related costs.

Table 2-1 summarises the total forecast direct labour, labour-related and indirect capex for the Project, including pre-period costs.

Table 2-1 Total labour and indirect forecast capex for the Project, including pre-period capex ($M, Real 2025-26)[1]

	Pre-period	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Pre-period costs	8.2	-	-	-	-	-	**8.2**
Augmentation forecast capex from 1 January 2027							
Direct labour	-	11.5	21.9	3.2	-	-	36.5
Direct labour-related	-	1.3	3.1	-	-	-	4.5
Indirect	-	6.9	12.5	1.4	-	-	20.8
Total	**8.2**	**19.7**	**37.6**	**4.6**	**-**	**-**	**70.0**

[1] This does not include Infrastructure Planner costs. Infrastructure Planner costs are discussed in the Direct Capex Forecasting Methodology.

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Our capex forecast has been developed to support the timely and cost-effective delivery of the Project, whilst achieving the capital expenditure objectives, outlined in EII Chapter 6A, to:

- meet or manage the expected demand for regulated network services
- comply with all regulatory requirements (as defined in the EII Regulation)
- maintain the safety of the Project through the supply of regulated network services.

Our proposed capex is prudent, efficient and reasonable, and reflects a delivery approach focused on managing the unique and complex challenges of the Project, to optimise outcomes and meet the agreed delivery timeframes.

The scope of works underpinning the forecast is consistent with our Consumer Trustee Authorisation and our contractual obligations under the Project Deed with EnergyCo. These instruments define the required scope, technical specifications and delivery timeframes for the Project. The technical scope of the Project has been independently verified by GHD as appropriate to meet the requirements set out in the Project Deed and Consumer Trustee Authorisation.

Our labour and indirect cost forecast has been tailored to reflect the Project's complex and unique commercial and technical delivery requirements. This includes the extensive contract obligation management and the complexity associated with the integration of a REZ, and the resultant variable energy generation. The addition of ACEREZ, as a new network operator, introduces further complexity and scope interdependencies, resulting in increased commercial, governance and site coordination, activities and resources for all parties. This necessitates robust and innovative network planning, sophisticated coordination, dedicated commercial support and increased oversight of asset management and real-time network operations.

Our approach to delivering the Project ensures optimal resource utilisation. We have appointed a contractor to assist in the design and construction of the Project, leveraging their experience for skill-specific work.

Our internal labour resources provide essential project delivery, management, commercial and technical expertise while the selected team structure, stream objectives and scheduled hours is informed by lessons learned from recently completed and in-progress projects to ensure efficiency. For example, for construction management, we are adopting a proactive and informed approach, ensuring we are adequately resourced to provide proper oversight to swiftly address issues on site, particularly around third-party interfaces to prevent any potential delays and associated cost overruns that have been experienced on other projects. This is critical to ensure we meet the Government's delivery timeframes.

We have also allocated dedicated resources to manage the suite of new and interlinked commercial arrangements between Transgrid, EnergyCo and ACEREZ. The novelty, scale and interdependencies of these agreements introduce a high degree of commercial and operational complexity, necessitating dedicated commercial oversight to ensure compliance with our obligations and to safeguard against avoidable costs, drawing on our experience with the Waratah Super Battery (WSB) project. This approach, combined with the use of professional and consulting services where appropriate ensures resources are adequately skilled, optimally utilised and minimises the risk of labour stranding following the completion of the Project.

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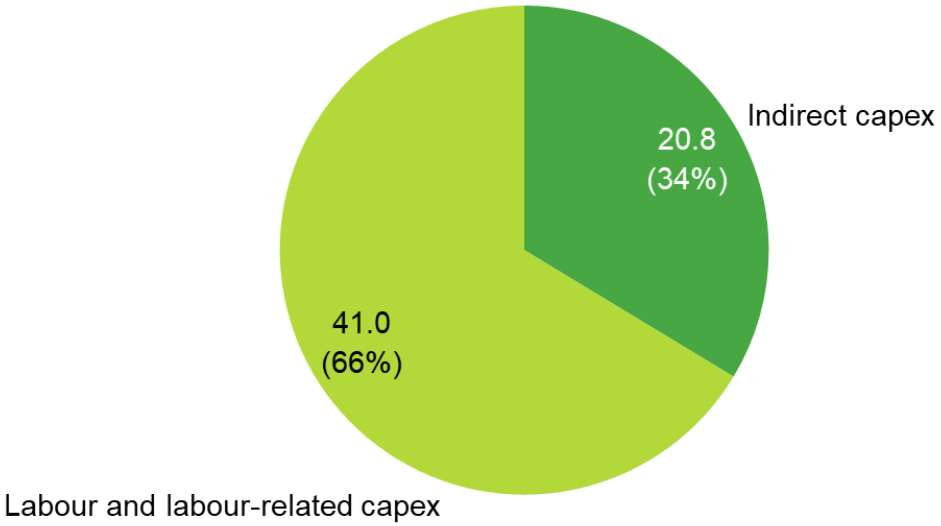
Overall, our labour and indirect capex forecast is prudent, efficient and reasonable. Our forecasting methodology has been validated through a combination of internal benchmarking and independent expert verification. Specifically, our forecast reflects:

- cost estimates for specific cost categories provided by service providers (such as our insurance broker). The use of independent cost estimates ensures reliability and transparency in the cost estimation process.
- rates outlined in existing supplier agreements and contracts, ensuring cost estimates reflect current market conditions.
- a reliance on past actual costs where appropriate, including benchmarking against comparable projects to ensure costs are reasonable taking into account recent market performance.
- review and verification of Project costs by GHD. Independent verification provides additional validation that cost estimates are prudent, efficient and reasonable.

This framework for cost estimation ensures costs are consistent, transparent, robust and can be adequately justified with supporting information. This evidence-based approach to forecasting ensures consumers are paying no more than they should be for the services they will receive.

Figure 2-1 shows the breakdown of direct labour and labour-related capex and indirect capex, representing 66 per cent and 34 per cent of the total labour and indirect costs for the Project, respectively.

Figure 2-1 Split of the Project's forecast labour (including labour-related) and indirect capex0 ($M, Real 2025-26)



Indirect capex includes both external non-labour inputs and a portion of our capitalised labour and labour-related costs. We apply a standard cost allocation approach whereby 70 per cent of capitalised labour and labour-related costs are attributed to direct capex, and the remaining 30 per cent are captured as indirect capex. This is consistent with the approach used in the cost allocation models for other Transgrid projects such as Waratah Super Battery (non-contestable), Project Energy Connect, VNI West Stage 1 and HumeLink Stage 2. This approach is discussed further in Section 4.4.1.

Figure 2-2 below shows the breakdown of indirect capex for the Project over the 2026-31 regulatory period. Of the total forecast indirect capex, non-labour costs comprise approximately 15 per cent, while labour and labour-related costs account for the remaining 85 per cent.

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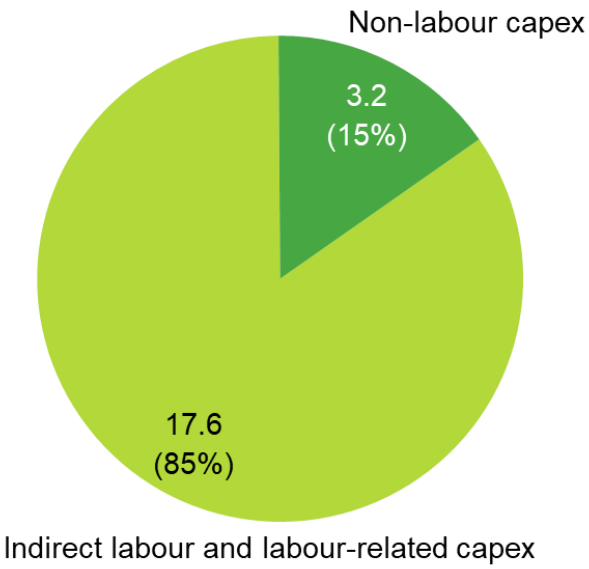
Figure 2-2 Split of forecast indirect capex – non-labour cost and a proportion of labour and labour-related costs ($M, Real 2025-26)



2.1. Key capex subcategories

Labour and labour-related costs are grouped into five subcategories:

1. **Project Development** – Includes engineering and design activities carried out from the concept phase through to construction. This encompasses design reviews, coordination with design and construct (D&C) contractors, and provision of design support during construction.
2. **Project Delivery Management** – Encompasses project management, construction management, commercial and contract management (for both upstream and downstream agreements), as well as project controls.
3. **Community and stakeholder engagement** – Covers all activities related to engagement with impacted landowners, local communities, and other stakeholders.
4. **Land and Environment** – Involves resources dedicated to environmental assessments and approvals, stakeholder consultation, easement acquisition, and ongoing site-based environmental and property management.
5. **Other support and corporate roles** – Provides general project delivery support through functions such as regulatory compliance, health and safety, legal, risk and audit, and network operations.

As outlined above, indirect costs comprise both non-labour costs and a portion of labour and labour-related costs. Table 2-2 presents the detailed breakdown of both direct labour and labour-related costs, as well as the associated indirect costs.

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Table 2-2 Breakdown of forecast direct labour and labour-related and indirect capex over 2026-31 regulatory period ($M, Real 2025-26)

Capex Category	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Direct labour (internal and outsourced)	**11.5**	**21.9**	**3.2**	**-**	**-**	**36.5**
Project Development	0.4	0.6	-	-	-	0.9
Project Delivery Management	8.8	17.2	1.6	-	-	27.5
Community and stakeholder engagement	0.1	0.1	-	-	-	0.2
Land and Environment	0.8	1.1	0.4	-	-	2.2
Other support and corporate roles	1.5	2.9	1.2	-	-	5.7
Direct labour-related	**1.3**	**3.1**	**-**	**-**	**-**	**4.5**
Project Development	0.0	0.0	0.0	-	-	0.0
Project Delivery Management	1.1	2.6	-	-	-	3.7
Community and stakeholder engagement	0.0	0.0	0.0	-	-	0.0
Land and Environment	0.2	0.4	-	-	-	0.6
Other support and corporate roles	0.1	0.1	-	-	-	0.2
Indirect	**6.9**	**12.5**	**1.4**	**-**	**-**	**20.8**
Proportion of direct labour and labour-related	5.5	10.7	1.4	-	-	17.6
Non-labour	1.4	1.8	0.0	-	-	3.2
Total direct labour and indirect capex	**19.7**	**37.6**	**4.6**	**-**	**-**	**61.9**

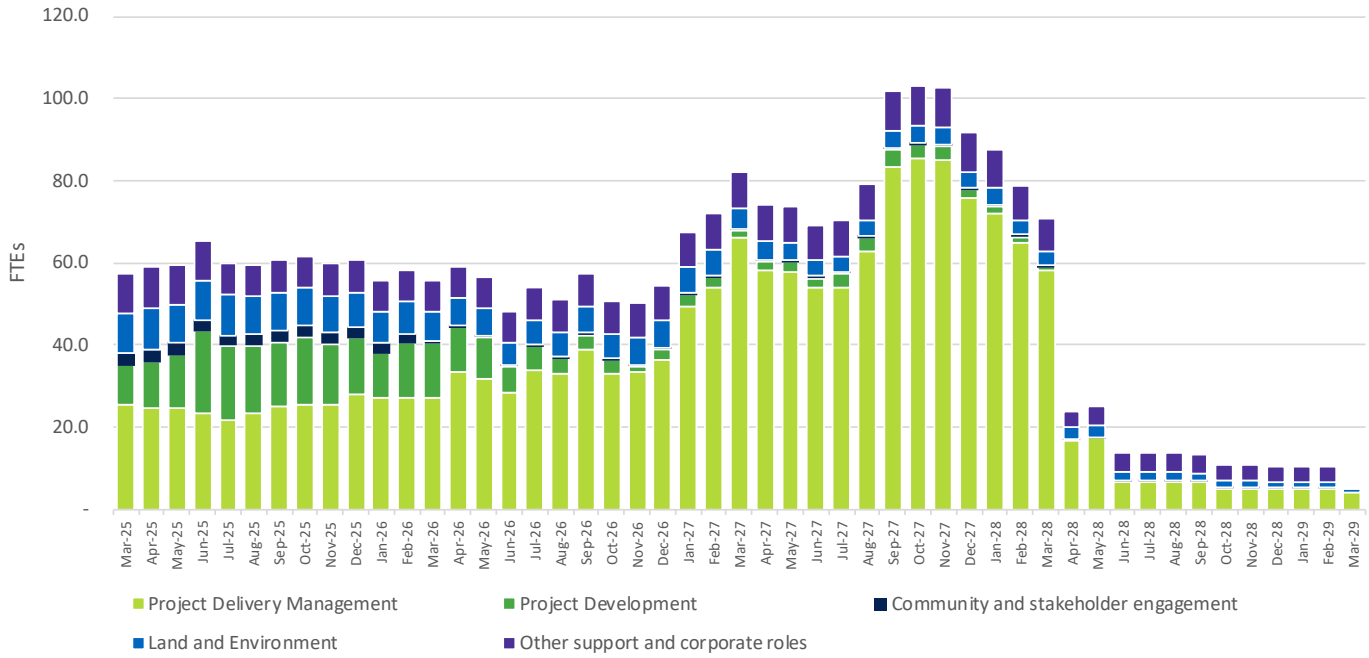
From 1 January 2027, we estimate that there will be approximately 51 full time equivalents (FTEs) working on average per month (including outsourced labour).[6] These roles are required to manage the complex commercial and delivery requirements of the Project. The approach adopted is prudent and efficient to ensures works are delivered in the agreed timeframes and minimise the risk of cost overruns. The majority of this workforce relates to Project Delivery and Construction Management, reflecting the need to manage the complex and interdependent construction activities (refer to Figure 2-3). We benchmarked the workforce requirements for the Project against recent projects completed by Transgrid and found that the proposed workforce numbers and composition are aligned, when taking into account the size and complexity of the Project.

The number of monthly FTEs is expected to be highest in 2027-28 as the Project will be in construction (i.e. project delivery phase). Following commissioning in May 2028, a smaller workforce will remain to support

[6] This excludes FTEs related to Infrastructure Planner costs, which will cover up to 31 December 2026.

the defects liability period, facilitate handover activities and finalise the commercial close-out of upstream and downstream contracts.

Figure 2-3 FTE requirements, from March 2025 to March 2029 (including overtime)



2.2. Basis of forecast capex

We are committed to delivering this Project at the lowest sustainable cost while meeting our contractual delivery commitments, the expenditure objectives under EII Chapter 6A and the objects of the *Electricity Infrastructure Investment Act 2020* (NSW) (EII Act). To support these objectives, a disciplined, bottom-up-build approach has been applied when developing our labour and indirect capex forecasts.

These forecasts have been prepared in accordance with our internal governance processes and cost estimation framework, which promote consistency, transparency, and robust decision-making. Where appropriate, we have benchmarked key inputs and cost assumptions against comparable projects to validate the reasonableness of our estimates.

In addition, our indirect non-labour cost forecasts are primarily based on actual supplier arrangements and quotes. The need for these services was identified through internal planning and scope development, drawing on our experience with similar projects. Where it is too early to undertake a formal procurement process, we have relied on historical cost data, recent comparable experience, and reasonable assumptions to inform our estimates.

To further support the robustness of our forecast, an independent assurance review has been undertaken by our external advisor, GHD, to validate the scope of works and associated cost estimates.

Overall, this forecasting approach ensures that the labour and indirect components of our capex forecast are prudent, efficient, and reasonable, consistent with the requirements of the EII Act, EII Regulation, and EII Chapter 6A.

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Table 2-3 summarises each capex category and the basis of the forecast.

Table 2-3 Labour, labour-related and indirect capex for the Project by category ($M, Real 2025-26)

Category of capex	Value (excluding IP costs)	Basis of capex forecast
Labour and labour-related capex	**41.0**	
Project Development	1.0	Bottom-up-build of required resourcing benchmarked against recent projects delivered by Transgrid
Project Delivery Management	31.2	Bottom-up-build of required resourcing benchmarked against recent projects delivered by Transgrid
Community and stakeholder engagement	0.2	Bottom-up-build of resourcing benchmarked against recent projects delivered by Transgrid
Land and Environment	2.8	Bottom-up-build of required resourcing benchmarked against recent projects delivered by Transgrid
Other support and corporate roles	5.8	Bottom-up-build of required resourcing benchmarked against recent projects delivered by Transgrid
Indirect capex	**20.8**	
Proportion of labour and labour-related allocated to indirect capex	17.6	Consistent with Transgrid's standard cost allocation approach whereby 70 per cent of capitalised labour and labour-related costs are attributed to direct capex, and the remaining 30 per cent are captured as indirect capex. This is the approach used for cost allocation for other Transgrid projects and approved by the AER in the relevant determinations.
Insurance	[redacted]	Based on independent report from Lockton Australia
Other consultancy costs		Based on costs of existing engagements or estimates based on previous engagement for environmental and biodiversity activities
Total incremental capex	**61.9**	

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3. Pre-period costs

3.1. Overview

We incurred costs in respect of the CWO RNIP from March 2020 to June 2022, prior to the commencement of the regulatory period and the execution of the Project Development Deed.

Due to the changing regulatory environment at the time, activities undertaken early on in this period related to identifying and considering potential technical options for CWO REZ transmission infrastructure, rather than carrying out the Enabling CWO RNIP. That is, it related to preliminary scoping required before the Project could proceed. We have received some funding in respect of these pre-period activities from the Australian Renewable Energy Agency (ARENA) which has reduced the total amount included in our base expenditure. We have not sought to recover the remainder of unrecovered costs incurred in 2019-20 in this Revenue Proposal, noting that the development of the feasibility study related to broader scoping, rather than the Project as defined in the Consumer Trustee Authorisation.

We also incurred costs in 2020-21 and 2021-22 that relate to strategic planning and scheduling, community and stakeholder engagement and land and environment activities. We consider that these costs are prudent, efficient and reasonable and sufficiently relate to the Project. They have contributed to the data and knowledge base that has informed the development of the Project to date. These costs have not been recovered under the payments made by EnergyCo to us under the Project Development Deed, ARENA's funding or under our NER revenue. It is therefore appropriate that they be recovered in this Revenue Proposal.

These costs are referred to in our Revenue Proposal as 'pre-period costs'. Table 3-1 outlines our pre-period costs in further detail.

Table 3-1 Actual pre-period costs ($M, Real 2025-26)

Capex Category	2020-21	2021-22	Total
Labour	1.4	2.8	4.2
Indirect	3.3	0.6	4.0
Total pre-period costs	**4.7**	**3.5**	**8.2**

We have included these costs within the opening asset base to be recovered over subsequent regulatory periods. As the pre-period costs are not directly attributable to a single asset class, as they relate to labour or overhead costs and other indirect costs, we have allocated this expenditure across asset classes in proportion to the total capex for the project.

3.1.1. Pre-period activities

We first undertook activities in respect of the CWO RNIP in March 2020. These early costs were focused on identifying and considering potential technical options for the CWO REZ transmission infrastructure. At the time, a contestable framework was not envisaged and so, work focused on the full project scope (including augmentation of the existing network) in line with what would likely be required as part of a RIT-T process.

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To support this, an ARENA funding agreement was entered into in June 2020, in collaboration with the NSW Department of Planning, Industry and Environment (DPIE). Under this agreement, we developed a detailed scoping study to accelerate and investigate the commercial, regulatory and technical feasibility of developing and delivering new transmission infrastructure for the CWO REZ. This included developing the commercial funding model and informing the requisite regulatory changes required to unlock the required investment in transmission assets. We also engaged a consultant to undertake a detailed desktop feasibility study to identify potential technical options for the CWO REZ. This report was completed in May 2020.

As previously noted, we acknowledge that these activities were preliminary scoping activities required before the Project could proceed and relate to identifying and considering potential technical options for CWO REZ transmission infrastructure, rather than carrying out the Enabling CWO RNIP. Noting that only those prudent, reasonable and efficient costs related to carrying out the Project can be included in the Revenue Proposal, we have excluded unrecovered costs incurred in 2019-20 from our proposed base expenditure.

In 2020-21, we undertook various scoping and early development activities. This included work to identify the initial study corridor, focusing on:

- technical design and network option modelling, including consideration of the location of the existing network, requirements for upgrades to existing substations to facilitate the project and appropriate connection points
- community consultation and landholder engagement, including issuing introductory letters, establishing a website to host project information, holding over 170 meetings with landholders, community members, Indigenous groups, local councils and other stakeholders, hosting various community information sessions and setting up stalls at community events (e.g. Dunedoo Show in February 2021, National Renewables in Agriculture Conference and Expo in May 2021)
- environmental and planning studies, including an ecology review of Wollar Substation, rapid vegetation surveys and preliminary ecological assessments
- consideration of property requirements, including substation and switching station options.

In 2021-22, we continued our community and landholder engagement and began to refine the study corridor into feasible alignment options in order to engage with landowners and community groups. Environmental assessment processes also commenced with EIS scoping reports and EPBC referrals prepared. In December 2021, EnergyCo formally advised Transgrid that the CWO REZ transmission infrastructure would be made a contestable RNIP and in early 2022, EnergyCo assumed responsibility for development activities relating to the Main CWO RNIP. To facilitate EnergyCo's role as Infrastructure Planner, we provided EnergyCo with a subset of information relevant to the Main CWO RNIP and received payment from EnergyCo for this information.

Following this, our role shifted to focus solely on the Enabling CWO RNIP. We worked with EnergyCo to:

- develop a novel operating model for network and system operation to support the delivery of the NSW Roadmap
- determine appropriate interface arrangements between Transgrid and any third-party network operator selected by EnergyCo
- ascertaining the appropriate roles, responsibilities and accountabilities for the new framework
- risk and safety management and assessments.

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We also assisted EnergyCo in its public consultation on the draft REZ Access Standards in April and May 2022. We developed a submission, outlining our views on the arrangements for consideration by EnergyCo.

In January 2024, EnergyCo and Transgrid executed a Project Development Deed that enabled us to recover our prudent, reasonable and efficient costs for early development activities related to the Enabling CWO RNIP from EnergyCo. Subsequently, in January 2025, the Project Deed was executed. Under these agreements, we are able to recover costs related to the achievement of specific Project milestones. These costs are then included in the 'Infrastructure Planner costs' included in our Revenue Proposal and repaid to EnergyCo, as determined by the AER. Infrastructure Planner costs are described further in our Direct Capex Forecasting Methodology document.

3.1.2. Costs included in Revenue Proposal

Only those costs incurred by us that have not been recovered via other mechanisms have been included in the Revenue Proposal. Payments made by ARENA and EnergyCo have been offset against the related costs associated with the activities the payments were intended to compensate. No additional recovery of these costs is sought.

The costs included in the Revenue Proposal were not recovered through these external payments or under our NER arrangements. Specifically, the Project costs included in this Revenue Proposal were not included in our 2020-21 or 2021-22 prescribed transmission services capex as these costs were recorded as unapproved Contingent Project Application (CPA) costs and excluded on this basis. Following the introduction of the EII framework, these costs were reclassified. We also specifically restated our 2021-22 to 2022-23 Category Analysis Regulatory Information Notice (RIN) Workbooks and associated basis of preparation documents to exclude other capex for NSW EII projects (including development costs for the Enabling CWO RNIP).

Additionally, the costs included have not been recovered from EnergyCo under the Project Development Deed as they are not appropriately linked to the relevant milestones set out in this Deed. Nevertheless, they are sufficiently related to the Project.

The costs included in our Revenue Proposal primarily relate to our internal labour costs to undertake the strategic planning and scheduling, community and stakeholder engagement and land and environment activities. Various consultants were also engaged to assist with strategic advice, land access strategy and valuations, community engagement, property advisory and provision of legal services.

We consider that these costs are prudent, reasonable and efficient and sufficiently relate to the Project. They have contributed to the data and knowledge base that has informed the development of the Project to date. These costs have not been recovered under the payments made by EnergyCo to us, under the Project Development Deed, ARENA's funding or under our NER revenue. It is therefore appropriate that they be recovered in this Revenue Proposal.

Official

4. Approach for forecast labour, labour-related and indirect capex

This chapter outlines the approach used to forecast the incremental labour, labour-related and indirect capex for the Project, and the steps taken to ensure that costs are prudent, efficient, and reasonable.

4.1. 'Bottom-up-build' forecasting method

The forecast for direct labour (including labour-related) and indirect capex for the Project has been developed using a bottom-up-build approach for the 2026-31 regulatory period. This approach has been adopted because:

- it allows for an accurate estimation of the required incremental capex for the Project informed by contractual arrangements, defined scopes of work, and internal cost data.
- it is consistent with the forecasting approach applied in our previous CPAs for Project EnergyConnect (PEC), HumeLink and VNI West and the Revenue Proposal for the WSB non-contestable project. The AER has accepted a bottom-up-build approach to determine forecast direct labour and indirect capex for these projects.

All forecast capex has been developed in accordance with our Expenditure Capitalisation Standard, provided as an attachment to this Revenue Proposal.

To support the robustness of our estimates, we engaged GHD to review and validate key inputs. The independent external verification process is described further in section 4.5.

4.2. Labour capex

Our labour capex forecast has been developed using a bottom-up-build approach, reflecting both internal resources and outsourced contractors required to deliver the Project. Labour rates exclude real cost escalation, as this is applied separately in the Capex Forecast Model and discussed in detail in the Direct Capex Forecasting Methodology.

The forecasting approach accounts for the Project's complex and unique delivery environment, which presents a range of technical, commercial, and delivery challenges. These factors directly influence the scope, timing, and scale of labour resource requirements over the 2026-31 regulatory period.

The Project involves complex and intertwined contractual arrangements, including six upstream agreements between Transgrid, EnergyCo, and ACEREZ, and one downstream contract with the D&C contractor. These agreements are highly interdependent, meaning any misalignment in scope, schedule, or technical requirements poses significant delivery and compliance risks. This complexity demands precise coordination across all parties, particularly during design, construction, and commissioning.

Delivery of the Project also involves both brownfield and greenfield works. We must complete augmentation of existing assets before energising BCSS (which will be subject to an adjustment mechanism application). These phases require different resource profiles and risk management strategies. Careful balancing of timelines, staffing, and technical requirements are critical to minimising the risk of labour stranding and ensuring Project success.

Additionally, the Project requires interfacing between two separate delivery streams, i.e. between Transgrid and ACEREZ delivery teams, requiring alignment of technical designs, commercial obligations, and

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delivery programs. This results in increased commercial, governance and site coordination, activities and resources for all parties. During construction and commissioning, parties must operate under defined access conditions, environmental approvals, and staging protocols. The energisation of BCSS by Transgrid and the commissioning of the Merotherie lines by ACEREZ must be precisely coordinated, followed by a joint defect rectification process that continues post-handover.

As NSW's primary Transmission Network Service Provider, we must also ensure safe and reliable integration of the CWO REZ into the broader transmission network. This includes managing asset lifecycle risks, navigating increased complexity from network planning, construction and commissioning, then adapting operational procedures to support variable renewable generation.

In response to these delivery complexities, the labour forecast includes an average of 51 FTEs over the 2026-31 regulatory period.[7] This labour force spans key delivery functions such as project development, project management, construction management, commercial contract management, project controls, stakeholder engagement, land and environment, financial and other corporate support. The forecast includes both internal and outsourced labour and has been developed without applying contingency or labour escalation.

Table 4-1 Summary of roles, FTE and outsourced labour by sub-category

Capex subcategory	Average internal labour (FTE)	Internal labour ($M, Real 2025-26)	Outsourced labour ($M, Real 2025-26)	Forecast capex ($M, Real 2025-26)
Project Development	1.3	0.9	-	0.9
Project Delivery Management	39.8	27.5	-	27.5
Community and stakeholder engagement	0.3	0.2	-	0.2
Land and Environment	3.0	2.1	0.1	2.2
Other support and corporate roles	6.7	5.7	-	5.7
Total	**51.1**	**36.4**	**0.1**	**36.5**

The forecast labour capex is based on a detailed bottom-up-build of:

- month-by-month FTE requirements for each role type to meet the Project schedule, and
- hourly labour rates for each role type including on-costs and support costs as outlined in section 7.1.2 (labour on-costs) and 7.1.3 (labour support costs).

[7] This excludes FTEs related to Infrastructure Planner costs.

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4.3. Labour-related capex

Labour-related capex includes costs associated with training, external recruitment, travel expenses (including accommodation, meal allowances and other expenses), and IT hardware costs.

The forecast labour-related capex has been developed on a per FTE basis using the bottom-up-build approach. Key assumptions include:

- Training costs are based on a standard annual allowance per FTE under the Enterprise Agreement (Award), consistent with the approach applied for PEC, HumeLink and WSB.
- Travel and expenses have been prepared in accordance with ATO taxation determination (TD) 2024/3.
- Recruitment is calculated consistent with the approach adopted in previous CPAs and Revenue Proposals. Based on historical experience, we anticipate that most new roles will be recruited directly. Where external recruitment is required, an agency fee of 15 per cent of the first year's annualised salary has been assumed.
- IT expenses are based on the current supply rate from our existing IT vendors.

Further detail on the assumptions underpinning these forecasts is provide in section 7.2. More detailed cost breakdowns are provided in Chapter 5.

4.4. Indirect capex

4.4.1. Allocation of labour and labour-related costs to indirect capex

We have applied a consistent and well-established methodology to allocate capitalised labour and labour-related costs between direct and indirect cost components. This allocation reflects how resources are deployed across project activities, i.e. either in direct delivery functions or in supporting broader corporate functions.

In practice, some of our labour and labour-related costs are reported as direct costs for regulatory purposes. The QNI Minor Upgrade CPA did not split the forecast labour and labour-related costs between direct and overhead components and the AER had concerns with the level of forecast indirect costs for QNI.[8] To address this for all other projects, our forecast labour and labour-related costs for the Project have been split between direct and indirect costs.

For the 2021-22 financial year, 74 per cent of our capitalised labour and labour-related costs were reported as direct costs within the category analysis regulatory information notice (RIN) response.[9] Based on this, we have assumed that 70 per cent of forecast Transgrid labour and labour-related costs for the Project are direct in nature. In other words, 30 per cent of labour and labour-related costs are assumed to be indirect capex.

[8] See: AER, Final Decision – TransGrid Contingent Project, QNI Minor Upgrade, April 2020, pp. 17-21.

[9] That is, $93.8 million of the reported $520.6 million in capex for prescribed services was labour and labour-related costs. Of those labour and labour-related costs, $24.4 million fell in the network overheads and corporate overheads categories (derived by applying the capitalised share of the respective overheads categories to the direct labour overheads). $69.4 million fell within the direct capex categories (e.g. replacements, connections, augmentation, non-network), or 74.0 per cent.

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This allocation is consistent with:

- our enterprise-wide Cost Allocation Methodology
- historical cost reporting under the RIN framework
- recent regulatory submissions, including the WSB non-contestable Revenue Proposal, and the PEC and HumeLink Stage 2 CPAs.

This approach ensures that the Project's cost structure reflects the efficient use of internal resources and aligns with regulatory precedents.

4.4.2. Non-labour costs

Non-labour costs cover a wide range of financial, professional and consulting services. The forecasting approach is based on a bottom-up-build, which involves separately itemising and phasing these costs over the project lifecycle, based on the project schedule. Where available, existing supplier agreements, contracts, or market quotes were used as the basis for cost estimates. For services not yet procured, costs were estimated based on some or all of the following:

- costs incurred for the same or similar activities as part of early development activities
- benchmarks from recent experience from comparable projects
- current market conditions, and
- reasonable cost assumptions developed in consultation with our internal procurement and finance teams.

4.5. Independent external validation

We engaged GHD to undertake an independent verification and assessment of our capex forecast for the Project. GHD's assessment:

- whether the scope of the Project is appropriate to meet the requirements of the Consumer Trustee Authorisation and the Project Deed
- whether the capex forecast includes any payments required to be made by us to the Infrastructure Planner under any contractual arrangement
- the accuracy and supportability of the capex forecast at this stage of the Project using a range of assurance techniques. These include validation against tender results, benchmarking against comparative projects, selection testing, recalculation, and alignment with industry practice
- whether capex costs for development and construction for the network infrastructure project are prudent, efficient, and reasonable.

Overall, GHD concluded that our development and construction capex is prudent, efficient and reasonable. GHD's independent review therefore supports the consistency of our forecast capex with that which would be incurred by a prudent, efficient and reasonable business.

GHD's report is provided as an attachment to this Revenue Proposal.

Official

5. Breakdown of forecast direct labour and labour-related capex

This chapter explains and justifies the forecast direct labour and labour-related capex for the Project. These forecasts have been developed using a bottom-up-build approach as explained in Chapter 4 and are consistent with the methodology used in previous Revenue Proposals and CPAs. Further, these forecasts represent the resources and associated costs required to support the safe, efficient and timely delivery of the Project.

5.1. Project Development

Project Development costs reflect engineering and design activities, including approvals, required to support the successful delivery of the Project during early development, construction, and commissioning phases.

Key activities driving these costs are:

- review of any residual detailed designs prepared by the D&C contractor (noting that majority of design will be completed by 31 December 2026)
- review and approval of the trial for transposition works, which is a first of its kind initiative on the 500kV network
- development and review of automation, protection and control systems design and specifications required at each substation
- review of the 'red-pen' drawings and finalise the as-built and works as executed (WAE) drawings
- preparation of requirements and specifications for access tracks and laydown areas
- provision of ongoing design support during the construction stage.

The majority of Project Development activities will be undertaken prior to the 2026-31 regulatory period and are therefore recovered as Infrastructure Planner costs. Infrastructure Planner costs are explained in the Direct Capex Forecasting Methodology.

We also forecast $1.4 million of Project Development costs will be incurred over the 2026-31 regulatory period. This reflects the need for continued design and planning support during the construction stage to meet our contractual and regulatory obligations and ensure safe and efficient network integration. These forecasts were developed using a bottom-up-build approach based on the scope, timing, and complexity of the remaining work. The required resources include:

- a senior network planning manager to oversee the development of the transmission line and substation designs and integration into the wider Transgrid network
- a design engineering manager to manage the performance of design services partners and ensure project requirements are met
- engineering resources to support technical design reviews and assurance processes for D&C contractor deliverables.

We anticipate an average resourcing requirement of 1.3 FTEs over the 2026-31 regulatory period. We consider this forecast to be prudent, efficient and reasonable, and aligned with the nature and complexity of the Project's remaining development activities.

The $1.4 million forecast capex for Project Development represents the total labour and labour-related capex. In line with our approved Cost Allocation Methodology, 70 per cent of this total is treated as direct

Official

capex ($1.0 million), with the remaining 30 per cent allocated to indirect capex ($0.4 million), as outlined in Section 4.4.1.

Table 5-1 outlines the breakdown of total Project Development costs of $1.4 million over the 2026-31 regulatory period.

Table 5-1 Summary of labour and labour-related forecast costs for Project Development ($M, Real 2025-26)

Category	Forecast direct labour and labour-related	Forecast indirect labour and labour-related[1]	Total labour and labour-related	Forecast capex (%)
Labour (internal)	0.9	0.4	1.3	98.0%
Labour-related costs	0.0	0.0	0.0	2.0%
Total	**1.0**	**0.4**	**1.4**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs is explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of forecast indirect capex for completeness.

5.2. Project Delivery Management

Project Delivery Management encompasses the incremental capex required to manage and coordinate the Project's activities, ensuring the safe, timely, and cost-effective delivery of the agreed scope of works. These activities are essential to meeting our obligations under the Project Deed, Interface Deed and the D&C contract.

We forecast a total of $44.6 million in Project Delivery Management capex over the 2026-31 regulatory period. This forecast includes the following key components:

- $11.3 million for project management
- $19.3 million for construction management
- $10.9 million for commercial management, and
- $3.1 million for project controls

Further detail on each component is provided in the following sections.

5.2.1. Project Management

Project Management encompasses oversight and coordination required to guide the Project from early development to commissioning, ensuring it meets its objectives within time, budget, and resource constraints. This function plays a critical role in maintaining alignment with the requirements set out under the Project Deed, Interface Deed and other upstream agreements with ACEREZ during the delivery phase until commissioning.

The Enabling CWO RNIP presents a unique set of challenges. These include a combination of greenfield and brownfield activities spread across multiple geographically dispersed sites, complex third-party interfaces, and significant integration requirements with existing network infrastructure. We must manage the Project in such a way that ensures these challenges are addressed.

To effectively manage these challenges, we have established a dedicated Enabling CWO RNIP Project Team to oversee the delivery of the Project. The team is led by a Project Director who is accountable for

Official

the Project's overall success. We have built our team structure so that it aligns with our upstream agreements with EnergyCo and our downstream D&C contract structure with clear accountabilities and management lines (e.g. our team is structured around the different separable portions in the upstream Project Deed with EnergyCo, and the downstream D&C contract). The team is also managing the interface with ACEREZ under the Interface Deed.

Key drivers for the level of resources required for the Project Management scope are:

- management of five geographically dispersed worksites across the CWO region
- management and oversight of a mix of greenfield and brownfield work, including the construction of new transmission lines alongside the upgrade of existing Transgrid assets
- facilitation and oversight of ACEREZ's overcrossing of Transgrid's existing TL79 transmission line
- contractor labour constraints resulting in the overall level of construction experience decreasing, necessitating greater supervision by our experienced internal resources to deliver this critical work safely and reliably.

We forecast total Project Management capex to be $11.3 million over the 2026-31 regulatory period. This forecast cost is considered prudent, efficient and reasonable as it reflects the minimum level of internal labour and support necessary to manage the unique challenges of the Project, while ensuring compliance with regulatory and contractual obligations. We have benchmarked the level of Project Management resourcing against similar projects we have delivered and found that overall, the level of resourcing is comparable.

This forecast comprises:

- internal labour costs, which account for approximately 88.8 per cent of the total forecast Project Management capex. This is equivalent to an average of around 9.9 FTEs over the 2026-31 regulatory period.
- labour-related costs, which primarily relate to training, recruitment and IT hardware expenses for the above FTEs.
- direct and indirect cost allocation, in line with our standard Cost Allocation Methodology, where 70 per cent of labour and labour-related capex is treated as direct capex ($7.9 million), with the remaining 30 per cent allocated to indirect capex ($3.4 million), as explained in Section 4.4.1.

Table 5-2 Summary of labour and labour-related forecast costs for Project Management ($M, Real 2025-26)

Category	Forecast direct labour and labour-related	Forecast indirect labour and labour-related[1]	Total labour and labour-related	% Forecast capex
Labour (internal)	7.0	3.0	10.0	88.8%
Labour-related costs	0.9	0.4	1.3	11.2%
Total	**7.9**	**3.4**	**11.3**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs is explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of forecast indirect capex for completeness.

5.2.2. Construction Management

Construction Management includes the oversight and coordination of the D&C contractor's site-based construction activities to ensure the Project is delivered safely, efficiently, and in accordance with agreed

Official

quality standards. This function is critical to ensuring compliance with technical specifications, regulatory obligations, and safety requirements throughout the construction phase.

The Project presents complex construction and delivery challenges due to its scale, location, and the nature of its scope. Key factors influencing the level of construction management effort include:

- a high volume of brownfield construction activities, requiring close supervision to avoid unplanned outages and protect existing Transgrid assets
- remote and geographically dispersed worksites, necessitating frequent and lengthy travel to site by staff, which increases overall resourcing requirements
- continuous on-site Transgrid presence, required to promptly resolve issues and prevent delays or cost overruns in contractor delivery
- complex interface management, particularly in areas where existing infrastructure is modified, or where third-party activities intersect with construction (e.g. ACEREZ's overcrossing of TL79)
- high risk nature of the work under workplace health and safety (WHS) legislation.

To address these challenges, we have adopted a proactive and informed approach to Construction Management, drawing on lessons learned from recently completed and in-progress projects. For example, our labour forecast reflects the need to quickly address issues on site, particularly around third-party interfaces to prevent potential delay claims[10]. This has resulted in a resourcing profile that ensures appropriate oversight is maintained without exceeding prudent expenditure levels.

Construction Management activities include:

- facilitating and reviewing on-site investigations (e.g. geotechnical assessments where tower locations have been finalised and access track investigations) to support final design and construction planning
- conducting ongoing constructability reviews to identify and mitigate delivery risks
- finalising construction related management plans with the D&C contractor before starting construction (e.g. Construction Management Plan, Work Health and Safety Management Plan, Outage Plans and Waste Management Plan)
- coordinating contractor safety inductions, training and onsite construction preparations to ensure compliance with safety and site access requirements
- monitoring and measuring construction works to verify performance and inform commercial contract management, including variation and claim approvals
- facilitation and oversight of ACEREZ's overcrossing of Transgrid's existing TL79 transmission line
- supervision activities for safety, environmental compliance, adherence to construction designs, measuring progress, measuring changes to baseline assumptions, maintaining site records, providing inputs to commercial disputes, facilitating access, site audits and continuous reporting of overall project status
- engagement with local community members, landowners, landholders, ACEREZ and electricity distribution businesses during construction to ensure positive engagement with local communities and reduce the risk of impact to the electricity supply in the areas affected by the projects
- commissioning activities for substation and transmission lines works constructed by our D&C contractor.

[10] This has occurred on previous projects where Property Owners have limited access unless there were representatives from the client organisation present. This has resulted in delay to projects and subsequent claims from Contractors.

Official

The Construction Management team will be primarily comprised of internal Transgrid resources, supplemented where necessary by external subject matter experts or consultants to manage short-term peaks in workload. Key roles include site managers, construction managers, commissioning and protection technicians, and control and communications technicians. We have benchmarked the level of Construction Management resourcing against similar projects we have delivered and found that overall the level of resourcing is comparable.

Under our D&C contract, we are responsible for commissioning activities for all substation works. This includes final commissioning of the line protection schemes and following energisation of the line, in-service load checks to verify directional protection schemes (or non-directional where line injections are not feasible). These works will be conducted by our trained staff to ensure the safety and security of the network.

We forecast total Construction Management capex to be $19.3 million over the 2026-31 regulatory period. This forecast reflects a team of approximately 17.3 FTEs on average, which is considered prudent and efficient, representing the minimum resourcing necessary to manage delivery risk while ensuring safe and compliant construction execution across multiple sites alongside the safe commissioning of Transgrid substations.

The forecast comprises:

- internal labour costs, which account for approximately 79.3 per cent of total Construction Management capex
- labour-related costs, including travel, recruitment, training, and IT hardware, accounting for the remaining 20.7 per cent (predominantly travel related), and
- direct and indirect cost allocations, in accordance with our standard cost allocation methodology. As outlined in Section 4.4.1, 70 per cent of labour and labour-related costs are allocated as direct capex ($13.5 million), and 30 per cent as indirect capex ($5.8 million).

A detailed breakdown of the Construction Management forecast is provided in Table 5.3.

Table 5-3 Summary of labour and labour-related forecast costs for Construction Management ($M, Real 2025-26)

Category	Forecast direct labour and labour-related	Forecast indirect labour and labour-related[1]	Total labour and labour-related	Forecast capex (%)
Labour (internal)	10.7	4.6	15.3	79.3%
Labour-related costs	2.8	1.2	4.0	20.7%
Total	**13.5**	**5.8**	**19.3**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs is explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of forecast indirect capex for completeness.

5.2.3. Commercial Management

The Commercial Management function is responsible for managing, administering and coordinating the suite of commercial arrangements required to deliver the Project. This includes managing upstream agreements with EnergyCo and ACEREZ, and downstream contracts with the D&C contractor and equipment suppliers.

The Project is the first REZ infrastructure to be connected to Transgrid's existing backbone 500kV transmission network and represents a first-of-its-kind contractual model in. As a result, the Project is underpinned by a novel and complex commercial framework.

The commercial model introduces interdependent obligations and delivery responsibilities across multiple parties, formalised through a new suite of interlinked agreements. These include:

- six upstream agreements between Transgrid, EnergyCo, and ACEREZ, which define the Project's delivery responsibilities, access rights, commercial interfaces, and performance obligations
- one major downstream contract with the D&C contractor, which governs the design and construction of the Project's key infrastructure components
- third-party supply contracts for the procurement and delivery of critical plant and equipment.

The complexity and interdependencies of these agreements give rise to material commercial risk. Any misalignment of contractual scope, schedule, or performance obligations between parties can lead to disputes, delivery delays, or financial penalties. As such, the Commercial Management function is essential to ensuring that obligations are met, risks are proactively managed, and changes are coordinated across the contractual arrangements and interfaces.

To effectively manage this complexity, we have established a dedicated Commercial Management team with clear accountability for upstream and downstream commercial interfaces. The team is accountable for ensuring that all parties remain aligned and that commercial risks are proactively identified, managed, and resolved.

Key responsibilities of the Commercial Management function include:

- maintaining alignment across all agreements, particularly in relation to key milestones, technical requirements, and change management
- managing commercial communications and formal correspondence with EnergyCo, ACEREZ and the D&C contractor
- leading the resolution of commercial claims, disputes, and variations
- providing commercial input into project reporting, risk management, and stakeholder governance processes.

We forecast total Commercial Management capex to be $10.9 million over the 2026-31 regulatory period. This forecast reflects a team of approximately 10 FTEs on average, and is considered prudent and efficient, given the scale, value and complexity of the Project's commercial architecture.

The forecast comprises:

- internal labour costs, which account for approximately 99.5 per cent of total Commercial Management capex
- labour-related costs, such as recruitment, training, and IT hardware, making up the remaining 0.5 per cent
- allocation of 70 per cent of costs as direct capex ($7.6 million) and 30 per cent as indirect capex ($3.3 million), consistent with our standard Cost Allocation Methodology, as outlined in Section 4.4.1.

Official

Table 5-4 Summary of labour and labour-related forecast costs for Commercial Management ($M, Real 2025-26)

Category	Forecast direct labour and labour-related	Forecast indirect labour and labour-related[1]	Total labour and labour-related	Forecast capex (%)
Labour (Internal)	7.6	3.3	10.9	99.5%
Labour-related costs	0.0	0.0	0.1	0.5%
Total	**7.6**	**3.3**	**10.9**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs is explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of forecast indirect capex for completeness.

5.2.4. Project Controls

The Project Controls function supports the delivery of the Project by gathering, managing and analysing project data to keep the Project on track in terms of time, cost, quality, and risk. This function ensures that the Project remains on track, that deviations are quickly identified and managed, and that decision-makers have access to accurate and timely project data.

The Project Controls function includes the following roles and responsibilities:

- **Project Planner** who will maintain a master schedule and ensure alignment with contractor programs. Tasks include reviewing, monitoring, and assessing the D&C contractor's program and the programs provided by EnergyCo for ACEREZ.
- **Cost Controller** who will monitor, manage and optimise all financial aspects of the Project. Tasks include budgeting, cost estimation and monitoring, variance analysis, forecasting and reporting.
- **Risk Management** consisting of a Risk Manager, Assurance Managers and Governance & Assurance Analysts who will identify, assess and manage risks.
- **Quality Manager** who will ensure Project deliverables meet quality standards and expectations.
- **Document Controllers** who will maintain accurate records, ensure proper document version control, respond to requests for information, draw up transmittals, complete contract correspondence and support compliance with corporate procedures.
- **Reporting team** consisting of Business Partners and a Reporting Analyst who will provide transparency, accountability and insight into the Project's progress and performance.
- **Project Coordination** and Administration with Project Controllers, Coordinators and Administrators coordinating team and project logistics, organising team meetings, preparing minutes, raising orders with suppliers, performing invoice reconciliations, tracking tasks and performing follow-ups, drafting documents and supporting document control.

Where possible, we will leverage our Shared Services Model[11] to utilise existing internal subject matter experts and systems for cost-efficient delivery of these support functions. This approach helps minimise duplication, ensures alignment with corporate processes, and provides flexibility to scale resourcing in response to workload changes over the course of the Project.

[11] Under the Transgrid Shared Service Model, for more specialised disciplines, resources work across multiple projects, resulting in increased efficiency and consistency amongst projects.

Official

Consequently, we forecast total Project Controls capex to be $3.1 million over the 2026-31 regulatory period. This forecast is considered prudent and efficient, reflecting the minimum level of resourcing required to ensure effective performance monitoring and control over the Project.

A detailed breakdown of the Project Controls forecast is provided in Table 5.5.

Table 5-5 Summary of labour and labour-related forecast costs for Project Controls ($M, Real 2025-26)

Category	Forecast direct labour and labour-related	Forecast indirect labour and labour-related[1]	Total labour and labour-related	Forecast capex (%)
Labour (Internal)	2.1	0.9	3.0	99.3%
Labour-related costs	0.0	0.0	0.0	0.7%
Total	**2.1**	**0.9**	**3.1**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs is explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of forecast indirect capex for completeness.

5.3. Community and stakeholder engagement

Our forecast capex for Community and Stakeholder Engagement (CSE) relates to engagement required to undertake activities to obtain and maintain stakeholder acceptance for the delivery of the Project in a sustainable way.

Table 5-6 provides an overview of key rationale, objectives and deliverables for our CSE work program.

Table 5-6 CSE work program – Key objectives and deliverables

Rationale	• CSE is a critical process to establish support for the Project from all stakeholders. • Industry market participants, the Federal and NSW Governments, landholders, the community and Indigenous groups are major stakeholders in the Project.
Objective	• The objective of CSE is to establish support for the Project from all stakeholders.
Deliverables	• The development and implementation of an effective stakeholder engagement plan and action plans for key engagement areas and stakeholders is required. • The plan will aim to support efficient and timely delivery of consultation and engagement across a range of stakeholders for the Project.

We have developed our Enabling CWO RNIP Engagement Strategy to outline our communication and engagement approach with communities, landowners and other key stakeholders over the Project development period. Under our D&C contract, the contractor will lead the CSE process with our role being limited to oversight only.

The majority of CSE activities will be completed prior to 31 December 2026 and are therefore captured as early project development activities and included in the Revenue Proposal as Infrastructure Planner costs. This includes activities related to route selection and completion of the EIS.

Post 1 January 2027, activities related to CSE will be limited to:

- minor community and stakeholder engagement support to address any issues that cannot be resolved by the D&C contractor
- ongoing Indigenous engagement support for both the augmentation and transposition works.

Table 5-7 provides detail of our forecast CSE labour and labour-related costs of $0.3 million. These costs primarily reflect internal labour costs based on an average of 0.3 FTE (over the forecast period to February 2028).

Table 5-7 Summary of labour and labour-related forecast costs for Community and Stakeholder Engagement ($M, Real 2025-26)

Category	Forecast direct capex	Forecast indirect capex[1]	Forecast capex	Forecast capex (%)
Labour (Internal)	0.2	0.1	0.3	93.2%
Labour-related costs	0.0	0.0	0.0	6.8%
Total	**0.2**	**0.1**	**0.3**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs are explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of forecast indirect capex for completeness.

5.4. Land and Environment

The Project requires the acquisition of easements from 18 landholders for the following scopes of work:

- augmentation works from Bayswater to Lidell and Mount Piper to Wallerawang
- line transposition works for two circuits from Bayswater to Barigan Creek and Barigan Creek to Mt Piper.

For augmentation works, the acquisition of easements relates to 11 landholders over 11 kilometres of transmission line, which will be completed prior to 31 December 2026. As such, the internal labour associated with managing these acquisitions will be included in the Infrastructure Planner cost.

For line transposition works, the acquisition of easements involves adjoining existing transmission line easements. The majority of the easement acquisition for line transpositions will be completed prior to 31 December 2026 with the internal labour associated with these acquisitions included in the Infrastructure Planner cost.

Some minor labour and labour-related costs for acquisition are forecast to be incurred from 1 January 2027, mostly associated with finalising acquisitions and the ongoing management of access agreements and easements.

In addition, the majority of the labour and labour-related costs associated with the environmental approvals for the Project will be incurred prior to 31 December 2026 and form part of the Infrastructure Planner costs. The environmental related costs which are forecast post 31 December 2026 include the following:

- Construction Environmental Management including site based environmental supervision to assure that the D&C contractor is compliant with all environmental approvals for the project

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- Biodiversity Offset Management costs associated with the purchase and management of biodiversity offsets determined as part of the environmental approval process alongside the ecological restoration coordinators.

Table 5-8 details our forecast Land and Environment labour and labour-related costs of $4.0 million. These costs primarily reflect internal labour costs based on an average of 3.0 FTEs (over the forecast period to February 2029).

Table 5-8 Summary of labour and labour-related forecast costs for Land and Environment ($M, Real 2025-26)

Category	Forecast direct capex	Forecast indirect capex[1]	Forecast capex	% Forecast capex
Labour (Internal)	2.1	0.9	3.0	75.3%
Labour (Outsourced)	0.1	0.1	0.2	5.0%
Labour-related costs	0.6	0.2	0.8	19.7%
Total	**2.8**	**1.2**	**4.0**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs is explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of forecast indirect capex for completeness.

5.5. Other support and corporate roles

The total forecast capex of $8.3 million for other support and corporate labour and labour-related relates to project team resources needed for ongoing safety, regulatory, procurement and legal support throughout the delivery phase of the Project.

The resources required for these deliverables have been determined based on a bottom-up assessment of the scope of work. The other support and corporate work program includes:

- safety supervision of the construction works performed by the D&C contractor – this includes continuous onsite presence of Transgrid safety personnel at all worksites to monitor the works and is critical to ensure the safety of the works and prevent issues with the Transgrid network
- minor ongoing regulatory support during the delivery phase of the Project
- procurement support to assist with the engagement and management of contractors and consultants other than the D&C contractor
- internal legal support to assist with the management of legal issues that may arise under upstream agreements with EnergyCo, downstream agreements with the D&C contractor, or in relation to third-party landholders. This allowance relates solely to internal legal resources and is separate from any provision for external legal advice.

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Table 5-9 Summary of labour and labour-related costs for other support and corporate roles ($M, Real 2025-26)

Category	Forecast direct capex	Forecast indirect capex[1]	Forecast capex	Forecast capex (%)
Labour (Internal)	5.7	2.4	8.1	97.0%
Labour-related costs	0.2	0.1	0.2	3.0%
Total	**5.8**	**2.5**	**8.3**	**100.0%**

[1] Indirect capex allocation of labour and labour-related costs is explained in section 4.4.1. These figures are also shown in Table 6-1 in Chapter 6 – Breakdown of indirect capex for completeness.

6. Breakdown of forecast indirect capex

This section explains and justifies our methodology for forecasting indirect capex for the Project over the 2026–31 regulatory period. Indirect capex includes a proportion of labour and labour-related costs, as well as a range of non-labour costs that covers activities/works such as engineering studies, insurance costs and assurance reviews.

6.1. Allocation of labour and labour-related capex to indirect capex

As outlined in Section 4.4.1, we apply a consistent and standardised allocation methodology to classify labour and labour-related costs across direct and indirect capex. This methodology, which allocates approximately 30 per cent of labour and labour-related costs to indirect capex, reflects how internal resources are deployed across project delivery and support functions.

Table 6-1 below consolidates labour and labour-related forecasts presented in Chapter 5 and applies the 70:30 direct to indirect cost allocation over the 2026-31 regulatory period. This results in a forecast of $17.6 million in indirect capex over the period.

Table 6-1 Summary of proportion of labour and labour-related cost categorised as forecast indirect capex ($M, Real 2025-26)

Category	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Total labour and labour-related costs	18.3	35.8	4.6	-	-	58.6
Proportion treated as direct capex	12.8	25.1	3.2	-	-	41.0
Proportion treated as indirect capex	5.5	10.7	1.4	-	-	17.6

Note: Chapter 5 provides the full breakdown of labour and labour-related costs by category.

6.2. Project Development

The total non-labour indirect forecast capex for Project Development is [redacted] This forecast relates to specialist engineering services for earthing validation studies required for substation works[12]. Majority of these studies will be completed before 31 December 2026, with marginal work to be completed in 2027-28. In addition, this is based on quotes from our suppliers for similar studies being undertaken as early development activities prior to the commencement of the regulatory period.

Table 6-2 Summary of forecast non-labour costs for Project Development ($M, Real 2025-26)

Items	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Engineering studies	[redacted]					
Total						

[12] These studies allow us to assess the effectiveness and compliance of an electrical grounding system. It ensures that the earthing system meets Transgrid safety standards and functions correctly to protect people, equipment, and infrastructure from electrical faults.[13] Labour and support cost rates effective July 2025.

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6.3. Project Delivery Management

The total non-labour indirect forecast capex for Project Delivery Management is $1.6 million over the 2026-31 regulatory period. This includes:

- Independent assurance – This relates to independent quarterly assurance reviews of the D&C contractor's schedule to minimise the risk of downstream claims from the D&C contractor. The forecast of [redacted] million is based on the cost of the existing agreement with the supplier for the early development activities.
- Insurance premiums – This relates to insurance for the Project over the construction period, which is required under the D&C contract. The forecast of [redacted] million is based on an estimate provided by an independent insurance broker, Lockton (refer to A.16 Insurance Report for further detail).

  Insurances being procured for the Project include:

  - Contract Works – provides coverage to reinstate the works following loss or damage.
  - Construction Liability – provides coverage for Transgrid and the D&C contractor, subcontractors, etc. for their legal liability to third parties for property damage and / or bodily injury arising from their onsite activities.

  All insurance rates are non-recurring incremental insurance costs covering the period from construction to commissioning. Additional coverage will be required to insure operational assets post commissioning. This is included in the forecast opex for the Project (refer to Opex Forecasting Methodology for detail).

Table 6-3 Summary of forecast non-labour costs for Project Delivery Management ($M, Real 2025-26)

Item	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Independent Assurance	[redacted]					
Insurance						
Other						
Total	**0.6**	**0.9**	**0.0**	**-**	**-**	**1.6**

6.4. Land and Environment

The total non-labour indirect forecast capex for Land and Environment is [redacted] million. These costs support biodiversity offsets and environmental approvals, including:

- Consultancy costs associated with offset searches, assessment and review of Biodiversity Offsets. The forecast of [redacted] million is based on consultancy engagements for similar tasks as part of the early development activities.
- Credit transfer deeds and associated legal costs required for the establishment of Biodiversity Offset sites. The forecast of [redacted] million is based on our SME advice on likely costs and costs experienced on previous projects, and

[redacted]

Table 6-4 Summary of forecast indirect capex for Land and Environment ($M, Real 2025-26)

Item	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Engineering studies		[redacted]				
MOU						
Consultancy						
Credit Transfer Deeds & associated legal costs						
Total						

6.5. Other support and corporate roles

The total forecast for non-labour indirect capex for other support and corporate roles is [redacted] million.

This forecast primarily relates to the engagement of external legal advisors to provide ongoing legal support during the project delivery phase. Specifically, we anticipate requiring specialist contractual advice in relation to claims that may arise under both upstream and downstream agreements. This support will be critical to ensure that claims are assessed and addressed in a timely and effective manner, minimising potential project risks.

The cost estimate is based on quotes obtained from our appointed external legal advisors and reflects the expected scope and duration of legal support required throughout the delivery period.

Table 6-5 Summary of forecast indirect capex for other support and corporate roles ($M, Real 2025-26)

Item	2026-27	2027-28	2028-29	2029-30	2030-31	Total
External legal advisors		[redacted]				
Total						

7. Key assumptions

This section explains and justifies the key assumptions underpinning our direct labour and indirect capex calculations.

7.1. Labour costs

The number of incremental FTEs required for the Project is based on current practices, the complexity and timeframes of the Project, and relevant legislative requirements. The commencement of FTEs is phased over the duration of the Project as per the Project schedule.

Labour cost estimates have been calculated by:

- using standard labour rates
- incurring labour on-costs for all staff and contractors
- seconding resources (fully or partially) from existing business as usual (BAU) roles to the Project, and backfilling BAU roles with internal labour or via a greater reliance on outsourced arrangements
- sourcing external contractor rates from contracts where appropriate
- excluding real labour cost escalation (as this will be subsequently applied in the Capex Forecast Model. This is explained in the Direct Capex Forecasting Methodology).

These are explained further below.

7.1.1. Standard labour rates

Labour rates and role classifications are aligned to our 2026 standard labour rates.[13] Labour escalation rates have not been applied to subsequent years.

Labour, including our internal staff, contractors and external labour hire, has been classified into a series of salary bands and the corresponding labour rate has been used to estimate costs.

Consistent with our approved CAM:[14]

- all project staff will complete timesheets and charge to a work order related to the Project
- actual times (logged to relevant work orders) will be used to determine labour costs
- the time spent by all Project team members is considered an incremental cost on the basis that there is no spare resource in Transgrid, so time spent by existing staff members on the Project will lead to higher costs through backfill with internal labour or via greater reliance on outsourced arrangements.

7.1.2. Labour on-costs

Table 7-1 below shows the labour on-cost rates which have been applied to the base labour costs in line with State regulations, employee bargaining agreements and our policies.

[13] Labour and support cost rates effective July 2025.
[14] Transgrid, Cost Allocation Methodology, 30 May 2023.

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Table 7-1 Breakdown of labour on-costs

Type	Rate (%)	Breakdown
Employees under Award – Enterprise Agreement	36.8%	Annual Leave – 8.0%
		Long Service Leave – 5.8%
		Payroll Tax – 5.5%
		Superannuation – 16.5%
		Worker's Compensation – 1.0%
Employees on individual employment contracts – Contract Officers	32.3%	Annual Leave – 8.0%
		Long Service Leave – 5.8%
		Payroll Tax – 5.5%
		Superannuation – 12.0%
		Worker's Compensation – 1.0%

7.1.3. Shared costs allocation

In addition to direct labour costs and on-costs discussed above, the proposed project costs also include an allocation of shared costs. Shared costs are costs that cannot be exclusively linked to a specific service category but are incurred by us in the provision of all of our services. These costs are therefore allocated to services via the use of direct labour as an allocator. This mechanism is in-line with our AER-approved Cost Allocation Methodology which prescribes the allocation of these shared costs.

7.1.4. Resource backfill and evidence

As described above, the following assumptions have been applied:

- time spent by all Project team members is considered an incremental cost on the basis that there is no spare resource in other delivery projects
- time spent by existing staff members on the Project will lead to higher costs for Transgrid through backfill with internal labour or via greater reliance on outsourced arrangements.

7.1.5. External contractor rates

The rates applied for external contracted labour have been determined based on documentation provided by the external parties detailing fees, rates and charges and our existing panel agreements in real 2025-26 dollars.

7.1.6. Escalation factors

Real labour cost escalation factors have not been applied to the labour and labour-related costs. This is subsequently applied in the Capex Forecast Model.

7.2. Labour-related costs

7.2.1. Training

Training costs for staff are based on our standard allowance of $1,919.89 per FTE per annum. This allowance is set for all internal roles that are Contract Officers or under an Enterprise Agreement (Award)

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and has been applied on a per role basis. Our adopted approach aligns with the training allowance calculation applied for PEC, HumeLink and the WSB non-contestable project.

The nature of training provided includes mandatory field training, soft skills and development training, professional development, and industry specific training for each role.

7.2.2. Travel and expenses

All costs in relation to travel and expenses (including accommodation, meal allowances and other expenses) have been determined in accordance with the ATO Taxation Determination TD 2024/3.[15] The application of these standard rates and calculation methodologies are summarised in Table 7-2 below:

Table 7-2 Travel and expenses methodology and assumptions

Labour Type	Calculation methodology, assumptions and application
This applies to: • Project Delivery Management • Land and Environment • Other Support and Corporate roles	Allowances for travel costs have been determined in accordance with the following assumptions in relation to travel frequency, duration, and location. The values provided below are a weighted average of the first principles build-up: • The cost per trip per staff member per night is assumed to be $1,303.32. This cost consists of: - ATO rates for accommodation and meals: $363.85 > Based on the ATO allowances and averaging out the four different travel sites i.e. Wallerawang, Bayswater, Barigan Creek and Wollar, the proposed accommodation, meals and incidentals allowance for all groups is $363.85.[16] - Travel allowance: $939.47 > Based on an assumption that approximately three hours of additional travel time for staff is required (consistent with other previous projects). • We note that: - there are no flight charges for the Project, as all travel is done via car. - there are no car hire rates as it is assumed that this cost is included in the contractor's rate. For internal staff, company cars will be used. • Based on the assumption that one staff member is required to travel per trip and that each trip duration is eight nights, the cost per trip is $10,023. We calculated travel expenses by multiplying the cost per trip for each staff member ($10,023) with the number of trips taken in each year of the modelling period. We have estimated the number of trips required based on a first principles approach for each relevant staff member (refer to key assumptions below factoring in required schedule/rostering arrangements. We have aligned these trips to the Zinfra construction schedule to ensure we have continued onsite presence aligned to when Zinfra will be on site. The table below provides a breakdown of these trips by year.

[15] ATO, TD 2024/3, available at td2024-003.pdf

[16] This is based on a salary grade of $143,651 - $255,670 for all FTEs (including Executive staff) and all expense amounts have been calculated using the High-cost Country Centre classification provided by the ATO.

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<table>
<tr><th>Labour Type</th><th>Calculation methodology, assumptions and application</th></tr>
<tr><td></td><td>

Number of trips taken in each year of the modelling period:
<table>
<tr><th>Broader cost category</th><th>2026-27</th><th>2027-28</th><th>2028-29</th><th>Total</th></tr>
<tr><td>Project delivery management</td><td>285.1</td><td>349.8</td><td>-</td><td>634.9</td></tr>
<tr><td>Other support and corporate roles</td><td>14.4</td><td>13.2</td><td>-</td><td>27.6</td></tr>
<tr><td>Land and Environment</td><td>48.0</td><td>50.0</td><td>–</td><td>98.0</td></tr>
<tr><td>Project Development</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td>347.5</td><td>413.0</td><td>–</td><td>760.5</td></tr>
</table>

Key assumptions for the table above are:


Project management and supporting staff visit site once per month.
These site visits have been aligned with the Zinfra construction schedule to ensure a consistent on-site presence during periods of active construction activity.

</td></tr>
<tr><td>This applies to:
Project Management (Works Delivery team i.e. site based)</td><td>

Consistent with previous CPAs, the assumptions regarding the Works Delivery team’s travel and sustenance are that:

All car trips for Works Delivery staff travel as per project schedule and Works Delivery labour assumptions. This aligns to the Zinfra construction program.
An allocation of 1-2 car trips per month for site visits has been provisioned for relevant project resources.

This relates to work related travel expenses such as food and accommodation.
The forecast sustenance allowance is in line with the ATO allowance amounts based on a salary range between $143,651 to $255,670.
Sustenance allowances are provided under the following conditions under our Enterprise Agreement:

overnight absences from home – when employees are transferred to a temporary headquarters and the temporary transfer requires them to be absent from their usual place of residence overnight, we must provide them with accommodation wherever practicable at our own expense. For each night’s absence, employees must be paid an allowance of:

> $15.80 when interstate, or
> $12.70 when intrastate

Where accommodation is required, employees will arrange their own accommodation and we will pay the following allowances:

ATO reasonable allowance amounts based on a salary range between $143,651 to $255,670.

</td></tr>
</table>

<table>
<tr><th>Labour Type</th><th>Calculation methodology, assumptions and application</th></tr>
<tr><td></td><td>
- For the sites outside of Capital Cities, the following ATO reasonable allowance amounts as per the ATO Taxation Determination.[17]

ATO reasonable allowance amount for locations other than capital cities:

<table>
<tr><th>Location</th><th>Overnight Breakfast</th><th>Overnight Lunch</th><th>Overnight Dinner</th><th>Incidentals</th></tr>
<tr><td>High Cost Country Centre ($)</td><td>36.90</td><td>52.10</td><td>73.10</td><td>34.25</td></tr>
<tr><td>Other Country ($)</td><td>33.90</td><td>34.65</td><td>67.50</td><td>34.25</td></tr>
</table>

- All sustenance expenses are claimed through expense timesheets, with the provision of tax receipts and require formal approval by a line manager.
</td></tr>
</table>

7.2.3. Recruitment (external)

To account for the recruitment of the additional resources required for the Project, an allocated external recruitment cost has been included in the forecast capex. This is consistent with the approach adopted in our previous CPAs for PEC and HumeLink and our previous EII project, WSB (non-contestable).

Based on historical recruitment experience, it is anticipated that approximately 75 per cent of the new roles (including backfill) will be filled through direct recruitment efforts. The remaining 25 per cent of roles are expected to require support from external recruitment agencies. This approach reflects recent trends in sourcing and hiring, and aligns with typical resource availability and market conditions.

We have also assumed that 24 per cent will be new FTE hires based on calculation of new FTE forecasts over total internal labour hire forecast for the whole regulatory period.

We expect to incur an agency fee of 15 per cent of the value of the first year's annualised salary where a recruitment service provider is used. This is based on the existing agreements we have with recruitment service providers.

The total recruitment costs are applied on the following basis:

- Recruitment fees = sum of annualised base salary of incremental employees x 25% x 15% x 24%

[17] ATO, TD 2024/3, available at td2024-003.pdf.

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7.2.4. IT expenses

Additional IT hardware and connectivity is required for the new FTEs. We have based these costs on our existing supplier rates.

The estimated total IT costs per new FTE are $3,661, as shown in Table 7-3. The estimates are based on the current supply rate from our vendors.

Table 7-3 IT expenses ($, Real 2025-26)

Item	Cost
Lightweight laptop	2,307.30
27” monitor	340.22
Headset	98.97
Backpack	38.15
Standard iPhone	876.32
Total	3,660.95

The total IT expense forecast for the Project is $0.1 million.

7.3. External advice – consulting fees and other services

Where possible, costs in relation to consulting fees and legal advice were calculated directly utilising the external parties’ documented fees, rates and charges. All rates are assumed to have been provided at current rates, i.e. real 2025-26 dollars, unless otherwise specified. No escalation for CPI inflation or real rate escalation has been applied.

Details regarding the nature of anticipated costs and activities have been provided in the relevant sections of this. Where documentation has not been provided within the required time frame for the submission of the Revenue Proposal, we have used our experience from previous projects to estimate the costs of external advice.

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