

Public forum: HCC REZ revenue proposal

25 August 2025

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Project overview



Hunter-Central Coast (HCC) REZ

The Hunter-Central Coast Renewable Energy Zone Network Infrastructure at a glance:



1GW

intended
network
capacity



85km

upgrade of existing
sub-transmission
power lines



2

new energy
hubs
(substations)



2

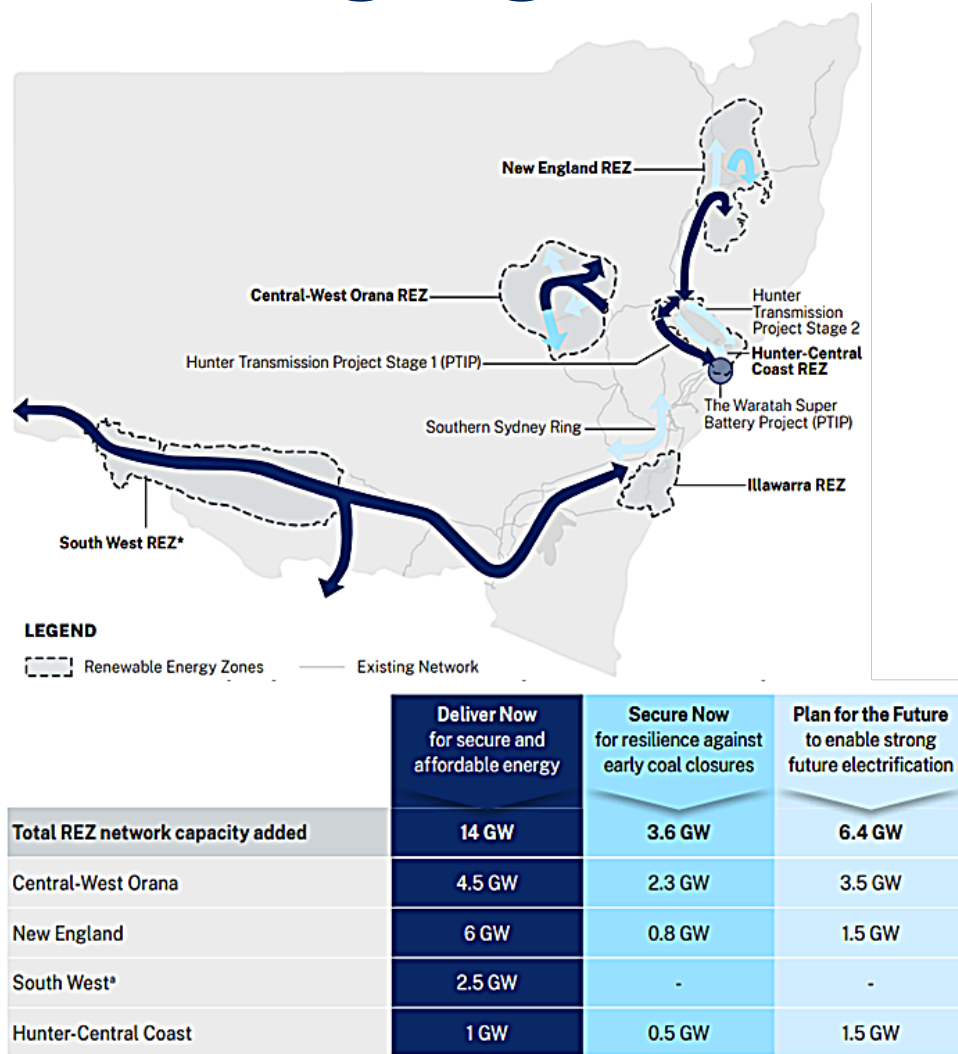
upgrades to
existing energy
hubs (substations)



18km

new underground
optic fibre
communications cable

Meeting tight delivery timeframes



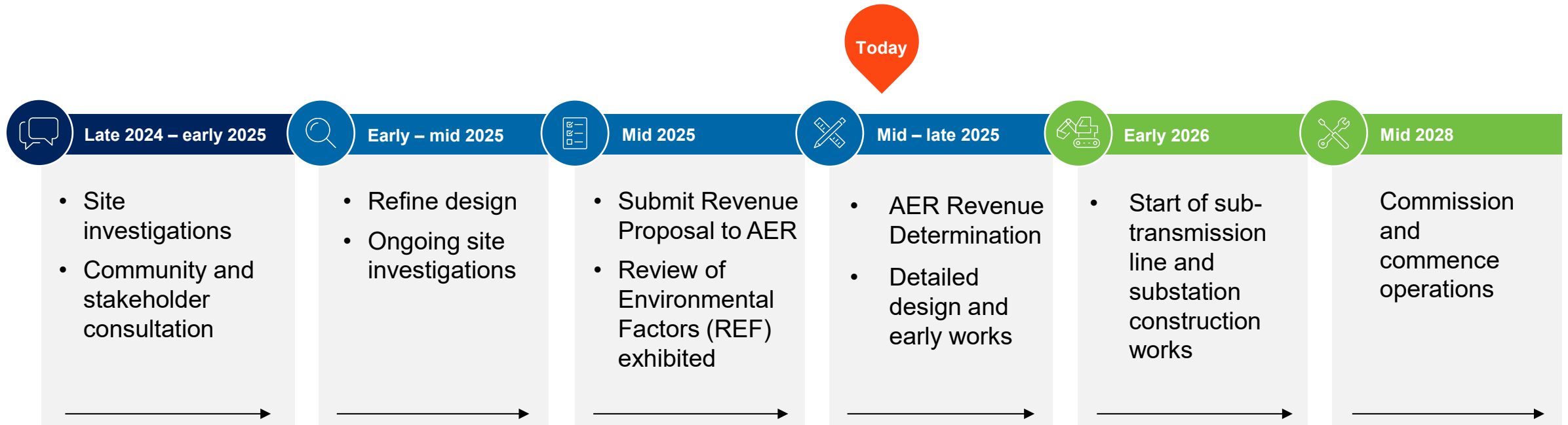
- **Hunter–Central Coast REZ is a ‘Deliver Now’ project**

As a priority under NSW’s Electricity Infrastructure Roadmap, EnergyCo has designated the HCC REZ for expedited delivery to rapidly unlock up to 1 GW of new renewable energy capacity by around 2028

- **Expedited delivery has shaped our regulatory proposal**

EnergyCo’s tight delivery timelines have constrained design completion and preparatory works—meaning elements of project design remain unsettled, and workstreams that would ideally be underway have not yet begun. This underpins our need for flexibility in the regulatory proposal, including risk allocations and adjustment mechanisms.

Project timeline



How risks are treated in our proposal

- 1 **Base capex:** included in the ex ante capex forecast; covers costs that are reasonably certain and well-defined
- 2 **Contingency:** covers uncertain costs that are identifiable, somewhat controllable and reasonably estimable at the time of our proposal
- 3 **Adjustment mechanisms:** apply to uncertain costs that are outside Ausgrid's control and not reliably estimable. These are excluded from base capex and contingency to ensure customers do not pre-fund open-ended risks.

Why this approach is prudent:

By matching the treatment of costs to the degree of uncertainty and controllability, our proposal ensures that customers only fund risks that can be reasonably forecast. This protects consumers from paying upfront for highly uncertain costs while still allowing recovery of prudent, efficient and reasonable expenditure if and when those risks eventuate.

2 Updates and our initial views



Updates since our revenue proposal



Depreciation

The AER is proposing that the Ausgrid portion of the Infrastructure Planner Fee be depreciated in line with assets related to early works which have a clear economic life. This results in a revenue reduction of \$8.2 million in the 2026-31 period. We are considering the AER's position.



Cost allocation method (CAM)

We identified a CAM error that incorrectly omitted \$13.4m of capital costs to the HCC REZ project, which the AER accepted and corrected in its preliminary position



CESS

Ausgrid proposed to exclude \$5.3m of social licence capex from CESS on the basis that spending would be determined by community needs via a local committee (so any underspend shouldn't be treated as an "efficiency"). The AER's preliminary position rejected the social licence exclusion, noting Ausgrid can choose not to recover a portion of any CESS reward ("use-it-or-lose-it"). We are considering the AER's position.



Enabling works

Scope is now broadly agreed with Transgrid, with updated costs issued based on an estimate of \$5.0 million (up from \$1.3 million)

Initial views on Preliminary Positions Paper

Adjustment mechanisms – two options identified by the AER:

- 1 **Caps:** Would set an upper bound which limits consumer exposure. If calibrated too tightly, caps could constrain recovery of prudent costs or affect procurement choices.
- 2 **Delayed capex forecast adjustment:** Could improve forecast accuracy and transparency and align with the AER's incentive framework. It is, however, a new concept introduced late in the project development / regulatory process, and it is difficult to lock robust triggers to fixed calendar milestones. We're considering:
 - approval governance
 - how CESS would apply
 - safeguards to avoid unintended impacts on procurement timing or risk allocation

Thank you

