

Reflection to the AER

**Transgrid 2026-31 Revenue proposal enabling CWO REZ
and the energy transition**

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26 August 2025

Introduction

Now is a critically significant point in time in the rapidly unfolding energy transition.

In our experience, transmission build and associated transmission bill impacts have historically rarely been the focus of households and small customers. Instead it has been direct connected customers and large loads whose interests have been prioritised. For small contestable customers transmission was mostly a pass through in TUOS charges to distribution networks. These pass throughs are managed by the AER under the NER in BAU processes including 5-yearly revenue resets.

In the fast moving world with the need for new transmission underpinning the energy transition, 2 new delivery modes for transmission projects have emerged in NSW: actionable ISP Projects overseen by the AER under a modified NER and NSW Roadmap projects managed by the NSW Government under the Electricity Infrastructure Investment Act (EII Act) with limited input from the AER. These 2 new delivery modes are having a growing impact on small consumers, who are bearing a greater share of the risk from these fast tracked projects in the form of uncertain total project costs and increased bill impacts. Customers are expected to shoulder this burden without this being made transparent and without the opportunity to provide meaningful feedback. Small customers are increasingly feeling significant cost and other impacts and their focus is turning to issues of social acceptance of transmission builds and bill shock.

We are both experienced and practiced in network regulation and broader energy policy. Our reflection is that as the impacts of the electricity transition, in particular, the implication of transmission builds on small customers, become more substantial this is highlighting gaps and failings in the broad policy and regulatory frameworks. Specifically, we are not seeing the regulatory frameworks evolve in a commensurate way to ensure: transparency and accountability of the impacts on small consumers of fast tracking major transmission projects and most importantly the preferences and outcomes of small customers are understood and elevated into transmission regulatory decision making frameworks.

Recently we have observed many of the distribution businesses, particularly those in NSW, lift their consumer engagement capability and start to embed this as part of their decision making. This is leading to greater CER co-ordination through tariff offerings and network storage initiatives which lay the foundation for a more orderly transition to net zero. Some of the initiatives also have the potential to improve network utilisation lowering cost for all consumers. Advocacy from distribution networks has also led to a greater focus by AEMO on the real potential for distribution REZs.

The NSW Parliament has also recognised the need to “join up” parts of the electricity supply chain with the recently extended Minister’s direction making power under the EII Act for priority network infrastructure projects (covering both transmission and distribution projects). However, to date we have not seen joined up regulatory processes between distribution and transmission networks. We are hopeful the 2026 ISP and the NEM review chaired by Tim Nelson will increase these linkages.

Transgrid is an important enabler of the energy transition in NSW and we have been observing it dynamically respond to numerous often rapid changes in its operating and regulatory environment. This has included the need to deploy very significant amounts of capital and build social licence through extensive community and landowner engagement, as well as navigating multiple regulators to deliver government policy in ambitious time frames under 3 delivery modes.

To build on these learnings we believe that the next step is for all transmission businesses and other institutions involved in transmission and broader energy transition planning to develop a fit for purpose joint up strategy that hard wires sincere customer engagement practices and other strategies to both inform the best outcomes and as a result better navigate the transition to ensure maximum customer support.

We hope our reflections and initial recommendations encourage greater dialogue and change that inform the AER, planning, policy making bodies, other regulatory agencies and the broader energy industry on the following 3 outcomes:

1. meaningful opportunities to seek out the preferences of small customers and strengthen expectations that those preferences will then be reflected in investment decisions irrespective of the delivery mode;
2. transparency from all system planners (and networks) about the infrastructure, planning and administrative costs of the energy transition and the timing of those costs; and
3. transparency from all parties on the nature of the risks being transferred to customers in transmission builds, how those risks will be monitored, and what accountability is expected from project proponents.

Structure

Our reflection is structured around observations on 10 topics:

1. The policy context is changing
2. The role of customer and community is changing
3. 5-yearly revenue resets: BAU
4. ISP Projects: evolution - forecast accuracy remains a challenge
5. Roadmap projects: revolution – speed over transparency and certainty
6. Transgrid's engagement on the CWO REZ Revenue proposal
7. Fracturing of governance
8. Impact of Government policy
9. Projects that overlap the NER and the NSW Roadmap
10. The AER needs to be bold

Our initial recommendations

We include the following **initial recommendations** in this reflection:

Transgrid

1. We recommend Transgrid strengthen internal feedback loops and processes that are designed to support the opportunity for the feedback that it receives to demonstrably influence its decision making. (Section 2)
2. We encourage Transgrid to develop a more agile approach to its interactions with the TAC and individual TAC members to elevate and maximise customer input in the differing contexts for regulatory and investment decisions. (Section 2)

Meaningful Consumer engagement in all 3 delivery modes

3. We recommend the AER clearly set out more details of its expectations of system planners and transmission networks on engagement with customers and customer advocates and resourcing of those processes in all 3 delivery modes. (Section 2)
4. We recommend the AER be more ambitious in its expectations for consumer engagement in ISP projects by enhancing its regulatory guidance to ensure that networks significantly increase their investment in and the quality of their consumer engagement with clearer AER expectations that revenue proposals reflect customer preferences. (Sections 4 and 10)
5. We recommend the AER elevate its observations in the HCC REZ Preliminary Position Paper into expectations for all networks in Roadmap projects in a revised version of the non-contestable guideline or a revised BRH. (Section 6)

Transparency and accountability

6. We encourage the AER to be more vocal in its assessment in Roadmap policy to better lift up and align with the current pace and rate of change and ultimately to optimise and lay the best foundations to protect consumers' interests. (Sections 5 and 10) For example:
 - The AER or another independent agency should do ex post reviews of Roadmap projects. This would create an additional mechanism to provide guidance to EnergyCo on the impact of its approach to contract negotiation and post adjustment events.
 - The AER publicly support the recent farrierswier recommendations for greater transparency of EnergyCo's approach, modelling, planning costs and consumer engagement.
 - The AER, where appropriate, exercise its power to reject or actively approve some of the contractual adjustment events imposed by EnergyCo and risk costs being sought by networks and advise parties that these need to be mitigated by greater upfront due diligence. This could lead to greater cost certainty and reduce the risks being shifted to consumers, even if that means a slight delay to Roadmap project delivery.

7. We repeat the call for the NSW Government to provide more transparency about the annual costs and risks of the Roadmap. If the government will not provide clarity we believe it is the role of independent agencies such as the AER to seek greater transparency and provide factual guidance. Currently there is little transparency on the nature of the risks being transferred to customers, how those risk will be monitored, and what accountability is expected from project proponents. (Section 7)
8. We recommend that the AEMC and the NSW Government introduce a monitoring power for the AER to regularly check on project cost tracking. Regular publication of this information would enhance transparency and accountability. (Section 8)

Farrierswier review

9. We strongly welcome recommendation C.1 in the farrierswier draft report provided that an important task for the yet to be established Consumer Panel is to liaise with the other agencies and networks and to provide advice on the best way to remove any gaps or inefficient cross over in responsibilities. (Section 7)
10. We support the AER providing input into the design of the new EnergyCo Consumer Panel by sharing its experiences from the operation of the CCP, its other customer facing committees and from its observations of best practice consumer engagement by networks under the BRH. (Section 7)
11. We encourage the farrierswier review to go further in its final recommendations on the need for authentic consumer engagement by EnergyCo and network operators under Roadmap projects. That engagement needs to be underpinned by greater Government and network transparency around the level of costs and risks that are being allocated to small consumers under the Roadmap.
12. We encourage the AER to provide feedback to the farrierswier review on appropriate safeguards when projects are transferred from its extensive scrutiny under the NER to the Roadmap framework, and we welcome this feedback being made public. (Section 9)

Pricing

13. The AER intentionally in its review of DMO and other pricing and tariff levers proactively stimulate the observations in Chapter 6 of the Nelson review. (Section 10)
14. The AER and if appropriate the AEMC should review the existing pricing frameworks and cost allocation methodologies of distribution networks to ensure that small customers will not be underwriting the connection costs of any future distribution connected Roadmap and large scale generation. (Section 10)

1. The policy context is changing

There are overlapping and evolving changes in the Federal and State planning and policy frameworks for electricity generation and increasingly transmission and distribution. These planning changes are undertaken by AEMO in the ISP and regulated under the NER; by EnergyCo for NSW and regulated under the NSW Roadmap framework; and by VicGrid for Victoria under the 2025 Victorian Transmission Plan (VTP) to be regulated at a State level.

The extent and pace of policy change is also accelerating at a rate never before experienced. For example in the 3 weeks between the AER publishing Transgrid's Revenue Proposal and the preparation of this reflection, several new policy reports and developments were published, which are relevant. These include:

- AEMO 2025 Inputs, Assumptions, Scenarios Report (IASR);
- AEMO 2025 Electricity Networks Options Report (ENOR);
- the Draft report of the NEM review (Nelson review);
- AEMO Services Ltd (NSW Consumer Trustee) 2025 Infrastructure Investment Objectives (2025 IIO Report);
- AER Preliminary Position Paper on HCC REZ (HCC REZ PPP); and
- NSW Parliament passing the Electricity Infrastructure Investment Amendment (Priority Network projects) 2025 amending the EII Act.

2. The role of customer and community is changing

Transgrid's Advisory Committee (TAC) covers a wide range of stakeholders including independent customer advocates, representatives of customer organisations, representatives of industry and business associations, other industry organisations and lenders. In this committee Transgrid shares detailed information with TAC members about ISP and Roadmap projects, Federal and State policy developments, industry developments and community and first nations engagement and initiatives.

Transgrid increasingly looks to the TAC consumer representatives and consumer advocates to provide information and perspectives on customer interests for various processes under the NER, the Roadmap framework and policy changes including AEMC rule change proposals.

For example, a recent very positive initiative encouraged by the TAC, has seen Transgrid seek to develop customer friendly explanations of 2 technical engineering initiatives. The first example explains the role of inertia supporting system security using a heartbeat analogy. The second discusses the need for [Transgrid's proposed control centre systems upgrade](#). We were both involved in the development of these 2 resources and have seen the positive impact this has had internally on Transgrid's engineers and system planners as they focus on articulating customer perspectives.

Historically Transgrid has had a customer committee, similar to other networks, which provided customer input into major regulated projects for example Powering Sydney's Future (PSF). However the TAC lost much of its influence following PSF and Transgrid's customer committee has instead been functioning as an industry and

customer advisory committee. Our observation is that the TAC's main purpose is not to provide consumer perspectives in a holistic way that might influence Transgrid's decision making in relation to regulated projects, nor to provide written reports to the AER in the way contemplated by the Better Resets Handbook (BRH) or other network customer committee practices.

It is unclear if Transgrid can seek holistic customer feedback from the TAC. Rather a range of views are provided in an ad hoc way by customer advocates representing customer organisations on behalf of their members, subject to attendance by those TAC members. We believe until very recently Transgrid had lost the practice of seeking holistic customer input and constructively responding to customer feedback in favour of seeking to inform the wider TAC about its major projects and policy positions.

This lack of clarity in TAC's role is illustrated by TAC's input into Transgrid's 2026-31 revenue proposal enabling CWO REZ (Revenue Proposal). Transgrid's engagement with the community and landowners for the project was managed separately to the TAC. Various TAC members attended some of the 5 deep dive information sessions on aspects of the Revenue Proposal and provided verbal feedback in those meetings. However, only 1 independent customer advocate TAC member responded to Transgrid's request to provide written feedback on the draft Revenue Proposal. We acknowledge that Transgrid was able to subsequently explain how it took some of that individual feedback into account in the Revenue Proposal lodged with the AER. However, several of the substantive issues where Transgrid did not make changes to its Revenue Proposal reflect fundamental differences between some TAC members and Transgrid on the appropriate balance of risk allocation between investors and customers. **We recommend Transgrid strengthen internal feedback loops and processes that are designed to support the opportunity for the feedback that it receives to demonstrably influence its decision making.**

Beyond incorporating feedback loops, the BRH sets out clear expectations for network businesses to explicitly acknowledge the feedback received in their own submissions to the AER - explaining how it was considered, how it was balanced against competing interests or why it was not adopted. **Transgrid needs to develop customer engagement practices in all 3 delivery modes (and other regulatory dealings) to ensure customer preferences are clearly communicated and transparently reflected back.**

As we noted above, we do not believe that the TAC is the most effective voice for customers. For instance we are unaware if any other TAC member is preparing a written submission to the AER on the Revenue Proposal. **We encourage Transgrid to develop a more agile approach to its interactions with the TAC and individual TAC members to elevate and maximise customer input in the differing contexts for regulatory and investment decisions— BAU resets and Contingent Project Applications (CPA), ISP and Roadmap projects; policy advocacy and regulatory change.**

Customer advocates and customer representatives are operating in an increasingly complex regulatory / policy environment, with varying levels of transparency from networks, varying levels of resources and uncertain ability to influence proposals.

We recommend the AER clearly set out more details of its expectations of transmission networks on engagement with customers and customer advocates and resourcing of those processes:

- For example how do the AER's expectations of networks vary between 5 yearly revenue resets, contingent project applications under the NER and contestable and non-contestable projects under the NSW Roadmap?

Without this clear guidance, customer advocates, (large loads and other stakeholders) will remain stretched and under resourced and it is important that our time is spent on actually influencing proposals where the AER has scope to affect network proposals. The materiality of revenue and customer bill impacts for Transgrid are from the ISP and Roadmap projects, rather than the 5 yearly revenue resets. We are concerned that customer advocates and customers are having the least impact on these major projects, where AER and government expectations for consumer engagement are less clear and where there is less transparency and accountability around costs and risk allocation.

3. 5-yearly revenue resets: BAU

Transgrid is in the early stages of discussing with TAC its engagement approach to the upcoming 2028-33 revenue proposal. The proposal is due to be lodged with the AER in January 2027. In April the TAC were invited to attend a planning day with Transgrid's senior leadership and 3 board members. The purpose of this day was to explore ways in which Transgrid could take a different and more customer focussed approach to the 2028-33 revenue reset. We emphasised the need for Transgrid to develop a big picture narrative to help customers and stakeholders to understand how different investment decisions under the 3 delivery modes fitted together, highlighting both customer benefits and consolidated bill impacts and risk allocation. Last week Transgrid held the first of three workshops to engage on the development of this overall business narrative and we strongly welcome this initiative.

Another important issue that we highlighted at the April planning day was strong TAC interest in Transgrid bringing a wider distribution perspective to its customer engagement in the development of its 2028-33 revenue proposal. We think it is essential that the 3 NSW distributors are included in this engagement so that customer advocates and customers have the opportunity to talk to all the key players and enablers at the same time.

The AER's expectations and views on best practice network engagement for 5 yearly resets are well understood and underpinned by the BRH. What is unclear is to what extent the AER expects transmission networks to engage with small end customers as part of its reset stakeholder engagement. In our experience, transmission businesses have prioritised engagement with directly connected customers as an extension of their BAU operations; forums with C&I customers and joint forums with State governments and local planners with customer advocates and large customers for an overview of State planning policy objectives.

We have yet to see a transmission business engage with small customers on the transmission business narrative - the value that transmission creates including

reliability, decarbonisation and increased demand; the bill impacts on customers of paying the costs associated with the new infrastructure required for the transition before benefits will be delivered with increasing impacts on affordability; and the risks being shifted to customers in these large builds. We believe that this is an opportunity for Transgrid to embrace in the upcoming revenue reset. We welcome Transgrid's confirmation at the first business narrative workshop that they intend to engage with small customers as part of the 2028-33 revenue reset. Transgrid will be able to build on the small customer focus groups that were recently independently run for Transgrid. A first for Transgrid.

It is not yet clear to what extent Transgrid intends to resource independent customer advocates on the TAC to participate in the revenue reset process, codesign and observe any engagement with end customers and prepare a customer report on engagement and the building blocks. We acknowledge that Transgrid gave us some reimbursement to prepare this reflection to the AER, which we believe is also a first for Transgrid.

4. ISP Projects: evolution but forecast accuracy a challenge

The AER evolved its processes for ISP actionable projects into a staged process in its [March 2021 Guidance Note Regulation of actionable ISP projects](#) (ISP guidance note). Some valuable lessons are being learned from early ISP project implementation including the AER's revised approach to the inclusion of contingency, modified incentive schemes and the financeability assessment. Forecasting cost accuracy for ISP projects remains a challenge with the NSW part of Project Energy Connect (PEC) doubling, the VNI West stage 1 increasing from approx. \$1B to the recently announced \$3.7B and Marinus stage 1 increasing to \$5B.

The AER's expectations for networks to engage with stakeholders and consumers for actionable ISP projects are set out in section 2.2 of its ISP guidance note. The AER's guidance note (p.5) refers to "meaningful high quality engagement, particularly with local community and consumer representatives." Transgrid notes on p.39 of the Revenue Proposal that it considered this AER guidance as part of its stakeholder consultation. The AER's ISP guidance note sets out clear expectations around community engagement. However there is less detail about what meaningful and high quality engagement with consumer representatives involves. See p.6 of the ISP guidance note where the AER states:

*"We **expect** the TNSP to demonstrate how its CPA promotes consumer interests, including how it has considered consumer preferences. Affected consumers and consumer representatives should have the opportunity to ask questions about the proposed scope and costs of a project, particularly where they change significantly over time."*

The AER then refers in detail to its superseded 2013 Consumer engagement Guideline. **We recommend the AER review the guidance in its ISP guidance note and provide more substance to its expectations around meaningful consumer engagement on ISP projects. In our view the headline expectation that we are given the chance to ask questions is a very low bar.**

5. Roadmap projects: revolution – speed over transparency and certainty

As seen in the draft report of the NSW Transmission Planning review chaired by Richard Owens (the farrierswier review), one of the driving forces behind the NSW Government's development of its Roadmap was to ensure that the NSW REZs could be delivered more quickly than under AER ISP RIT-T processes. It appears that VicGrid's VTP is similar in approach to the NSW Roadmap framework and processes and will also seek to prioritise project delivery.

The NSW Roadmap has several features which favour speed of delivery over prudence, efficiency and bill impacts:

- The 2025 IIO Report expressly seeks to accelerate development including in the way AEMO Services Ltd (the Consumer Trustee) uses its LTESA tenders to incentivise fast-tracking of quality projects (p.7);
- The recent changes to the EII Act enable a Ministerial direction to take effect prior to the AER making a revenue determination, in certain circumstances (sec 35A);
- The test to be applied by the AER to Roadmap projects is prudent, efficient and reasonable costs;
- The AER does not do independent cost benefit analysis of Roadmap projects. Instead that is completed by EnergyCo and the Consumer Trustee and none of the modelling is publicly available;
- The Maximum Capital Cost (MCC) no longer applies to post adjustment events so there is effectively no upper limit on total project costs other than a review by the AER that additional costs under adjustment events are efficiently incurred by networks;
- EnergyCo is increasing the number and scope of the post determination adjustment events in each Roadmap project which increases cost uncertainty and allocates more risk to customers, whilst at the same time maintaining confidentiality claims over several of these adjustment events; and
- Confidentiality obligations and ambitious delivery deadlines imposed on successful network operators by EnergyCo make it much harder for networks to do sufficient due diligence to prepare forecasts of a similar accuracy required by the AER for ISP Projects.

Many of these issues and poor customer outcomes are discussed at length in the [Ausgrid Customer Panel submission](#) on the HCC REZ revenue proposal.

The AER guidance to networks developing non contestable projects is set out in its July 2024 [Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects](#) (non-contestable guideline). The AER's guidance on how networks should engage with stakeholders is set out in Section 3.5.1 of the non-contestable guideline and is reproduced by Transgrid at p.38 of the Revenue Proposal:

- The AER's expectations for stakeholder engagement include:
 - a network will use its best endeavours to engage with stakeholders ahead of submitting its revenue proposal;
 - networks should "aim to satisfy the principles set out in the BRH";

- the AER's note on regulation of actionable ISP projects is also relevant as it contains "helpful advice on best practice stakeholder engagement for large transmission projects;" and
 - a network operator should adapt our guidance on consumer engagement to reflect the more limited scope of their engagement."
- We observe that Section 3.5.1 does not expressly refer to consumer engagement other than the one reference to the BRH, which we assume is referring to Chapter 3 AER expectations on consumer engagement.

In response to this guidance from the AER Ausgrid and Transgrid took very different approaches to the resourcing of and engagement with their customer committees in their HCC REZ and CWO REZ Roadmap non-contestable revenue proposals. The AER should provide more specific guidance on what its expectations are for networks to engage with customer advocates and customers (as opposed to stakeholders) in future Roadmap projects and the weight it places on the different approaches:

- To what extent given confidentiality constraints does the AER think it is realistic for customer advocates to meaningfully influence proposals developed under the structures and processes of the Roadmap?
- For example under the IAP2 participation spectrum and the BRH what aspects of a Roadmap proposal can networks aspire to consult, involve or possibly collaborate on with customer advocates and which aspects should be left purely to inform?
- What level of engagement and resourcing of customer advocates does the AER expect from networks? Is the AER looking for customer advocates to prepare written holistic feedback and/or customer reports and if so what are the important aspects that any customer report should cover?
- If the role of customer committees such as the TAC is reduced under Roadmap projects then what should be the appropriate role for the Consumer Challenge Panel (CCP)?

This AER guidance as to its expectations is important for networks and customer advocates and broader policy makers as they review and design current and future energy projects. This is also critical to inform other jurisdictions, e.g. Victoria, who are looking to modal their evolving State policies and processes on the NSW Roadmap approach.

6. Transgrid's engagement on the CWO REZ Revenue proposal

Our experience in the development of the Revenue Proposal was that TAC could not influence construction costs as these are a tendered response to a provided scope of works. The TAC only had meaningful engagement with Transgrid on whether specific risks not covered by base capex allowance should be included in contingency risk costs or left to post determination adjustment events and the risk cost allowance. This is summarised in Table 3-3 on pp 45-47.

- TAC otherwise had no influence on the building blocks, the revenue being sought, nor the contractual adjustment events imposed by EnergyCo as part of the Project Deed negotiations. In fact due to confidentiality constraints

imposed by EnergyCo on Transgrid we did not see the Project Deed nor all the post determination adjustment events, nor some of the critical expenditure numbers.

- Whilst Transgrid engaged with TAC on the design of CESS and the financeability assessment, in the end TAC views were not reflected in Transgrid's Revenue Proposal, although Transgrid said it did consider TAC's views. It is unclear what purpose that engagement served other than to highlight to Transgrid and to the AER that customer preferences were not followed by Transgrid.
- The TAC did not observe any of Transgrid's community engagement for the CWO REZ proposal. Transgrid has given a very brief overview of this community and landowner engagement on pp. 42-43 and in Table 3-3. We are aware that Transgrid invests heavily in community engagement and has improved its approach to this important work, following best practice advice from one of the independent TAC members and the AEIC 2023 Community Engagement review. However, we are unable to comment on Transgrid's engagement with the community and landowners or the extent to which it meets expectations of the AER's engagement and social licence guidelines. Given the media scrutiny and EnergyCo's involvement in community engagement does the AER have any expectation that customer advocates or the CCP will observe network operator community and landowner engagement on Roadmap projects?

The AER has made some very important and useful observations in the recently released HCC REZ PPP. The HCC REZ and CWO REZ enabling projects have several similarities being non-contestable largely brownfields projects with the construction/acquisition of new substations. We commend the AER for using its constrained role in Roadmap determinations more forcefully in the HCC REZ revenue determination process. In particular we note the following very positive developments for small customers highlighted in the HCC REZ PPP:

- Engagement by the AER with EnergyCo and Ausgrid to reduce the confidentiality claims over most post determination adjustment events. The AER notes its concern about the open ended nature of several adjustment events that it alone has seen, which consumers have no knowledge of and no ability to provide feedback on, exposing them to potential bill shock (p.15). On 21 August the AER published a [Supplementary Appendix](#) following the welcome withdrawal by Ausgrid and EnergyCo of most of its confidentiality claims over the Adjustment Events.
- Seeking greater information from EnergyCo to support EnergyCo's views of the prudence, efficiency and reasonableness of the Infrastructure Planner Fees for EnergyCo cost recovery and greater detail of the activities being funded by this expenditure (p.21). It would be of assistance if more of this information could be published in the AER's final HCC REZ determination.
- Considering a delayed capex forecast adjustment to enable Ausgrid to provide a reasonable estimate of forecast costs post determination, which could be added to the approved revenue, subject to the AER confirming prudence, efficiency and reasonableness of the revised forecast. The adjustment event would then expire (pp.16-17). This has the two fold benefit of bringing greater certainty to the forecasting of these risks and then subjecting any additional

allowed revenue to the discipline of the CESS incentives. The Supplementary Appendix focusses on specific adjustment mechanisms that are partially within Ausgrid's control, which may be suitable for the delayed capex forecast approach (p.12).

- AER expectation that networks and EnergyCo will develop project proposals that overlap NER and roadmap assets, to avoid cross subsidisation between customers (p.23)
- A bottom up review of social licence expenditure to ensure that it is targeted at specific identified social licence needs (p.10) in order to comply with the AER's social licence guidelines;
- Providing the AER and customer advocates one month to review and comment on the draft revenue proposal (p.3); and
- Commentary that the value of consumer engagement and submissions to the AER on non-contestable Roadmap projects is to identify stakeholder views, which can be a guide to the AER. The AER states (p.18) that the purpose of the engagement is to *"provide us with evidence of alignment with consumer interest and expectations in determining which components of the proposal to focus on in our preliminary position paper."* The AER goes on to commend Ausgrid and describes Ausgrid's engagement as effective given the time constraints it faced.

As noted above we believe that it is very important for the AER to be as clear as possible about its expectations in Roadmap revenue proposals for consumer engagement and submissions on revenue proposals. *Whilst the AER's observations in the HCC REZ PPP are useful commentary on Ausgrid's (and potentially other NSW networks' approaches) we recommend the AER elevate its comments into expectations for all networks in Roadmap projects, first in the upcoming decision on Transgrid's revenue proposal and ideally in a revised version of the non-contestable guideline or a revised BRH.*

7. Fracturing of governance

There are a number of bodies who are tasked with considering consumer interests in the roll out of major projects in NSW as part of the energy transition. These include:

- the ISP Consumer Panel established by AEMO. This Panel operates at the State level rather than at the level of individual ISP projects. AEMO states its goal for the ISP consumer Panel:
"Our aim is for an ISP that electricity consumers can have confidence in. We want consumers to be confident it identifies an optimal development path that appropriately considers the risks of underinvestment or overinvestment in the power system as we make the complex transition to the power system of the future."
- EnergyCo who is committed to detailed engagement with landowners, communities and stakeholders in the development of the NSW REZs;
- The Consumer Trustee who is tasked with detailed modelling responsibilities to ensure the Roadmap and major projects are in the long-term financial interests of NSW electricity consumers (LTFIC);
- The AER under the BAU, ISP framework and also in a reduced role under the Roadmap; and

- IPART which is tasked with auditing EnergyCo, the Consumer Trustee and the AER under the Roadmap framework.

The risk of multiple organisations being tasked with focussing on consumers' interests is the potential for important issues to fall between the cracks. We are observing more clarity around the governance and responsibility of authentic and joined up landowner and local community engagement by various government agencies and network operators. However, we are concerned that there is no joined up governance for agencies and networks to seek input from consumers and consumer representatives and advocates in the same way – particularly on NSW Roadmap projects nor clear expectations around networks reflecting consumer preferences.

There is the added issue that under Roadmap projects there is less transparency on costs and therefore accountability. The assurance is given by the Consumer Trustee in the 2025 IIO (in Section 6.1) that modelling the NPV of the costs over a 20 year period under the ambition scenario compared with the supply chain constrained scenario results in consumers paying \$6.5B less in costs. However at no point have EnergyCo nor the Consumer Trustee been prepared to share the annual costs that small customers pay under the Roadmap. Figure 32 (p.60) repeats the practice of only sharing the 20-year NPV. It remains unclear how the 2025 economic analysis accounts for payment of roadmap costs some years before the network is built and renewable generators are connected. Total AER roadmap costs to 30th June 2026 are nearly \$1B with the services from Waratah Super Battery (WSB) being the only benefits delivered during that time.

Customer advocates and representatives had already been arguing for the NSW Government to provide more transparency to NSW electricity customers on the costs of building and maintaining 2 generation and transmission systems during the transition. The most recent IIO Report highlights that several supply chain issues including approvals processes, road and port infrastructure are delaying the connection of generation in the REZs. The 2025 IIO report is full of hope and good intentions about a collective goodwill removing these obstacles and accelerating the pace of generation and storage connection.

It is becoming apparent from market developments that the period when customers will need to pay for higher costs for two electricity systems is lengthening not shortening and the lack of transparency and accountability around this will become more problematic and could undermine the energy transition. We note that Transgrid refers to a more ambitious timeline than us around the retirement of coal and roll out of generation and storage in its recently released 2025 Transmission Annual Planning report (TAPR). At p.5 of the TAPR Transgrid refers to “a deep transition between 2025 and 2035 where coal is rapidly closing, while even more renewable generation, storage and transmission will be built.” However, last week Origin released market guidance noting that it continues to invest in Eraring and is making plans for its continued operation until 2029. During the webinar releasing the 2025 IIO Report the Consumer Trustee acknowledged that achieving the ambition scenario will be challenging.

We repeat our call for the NSW Government to provide more transparency about the annual costs of the Roadmap. If the government will not provide clarity we believe it is the role of independent agencies such as the AER to seek greater transparency and provide factual guidance. Our concern is that without greater transparency about the upfront costs of the transition to support an acceptance of long term value, that there will be far reaching consequences for the transition in the form of loss of social acceptance for the transition with consequential political risk.

With the development of 3 delivery modes in NSW (BAU resets, ISP actionable projects and the Roadmap) the farrierswier review was tasked with the critical job of looking for overlaps and gaps in system planning and recommending an optimal and coordinated approach for transmission planning in NSW. Whilst the review is primarily focused on system planning we strongly welcome the review's focus on both community and consumer engagement in its recommendation C.1. That recommendation aims to improve engagement by both EnergyCo and the Consumer Trustee as well as a recommendation for the establishment of a dedicated Consumer Panel (as opposed to a joint community and consumer Panel). We strongly welcome recommendation C.1 provided that an important task for the yet to be established Consumer Panel is to liaise with the other agencies and networks and to provide advice on the best way to remove any gaps or inefficient cross over in responsibilities.

We support the AER providing input into the design of this new Consumer Panel by sharing its experiences from the operation of the CCP, its other customer facing committees and from its observations of best practice consumer engagement by networks under the BRH.

We encourage the farrierswier review to go further in its final recommendations on the need for authentic consumer engagement by EnergyCo and network operators under Roadmap projects. That engagement needs to be underpinned by greater Government and network transparency around the level of costs and risks that are being allocated to small consumers under the Roadmap.

We note that in Transgrid's submission to the farrierswier review it supported recommendation C.1 "in principle". However all the commentary in [Transgrid's response](#) focussed on the need for "proactive and productive relationships being built with impacted communities". Our experience is that this reflects Transgrid's current priorities, which is to engage extensively with local communities including landowners, rather than with broader consumers and consumer representatives. In the absence of more direct guidance on the AER's expectations around engagement with consumers and consumer representatives and an expectation that customer preferences shape major project revenue proposals, Transgrid's approach is hardly a surprise.

8. Impact of Government policy

Federal and State government policy has created high profile tensions between those most directly impacted by the implementation of the ISP and the Roadmap namely investors; industry users; and landowners and communities where

transmission lines and new generation and storage infrastructure is being built. We recognise the ongoing work at federal and State level to develop clear guidance and support payment mechanisms to underwrite community and landowner engagement and social licence amongst landowners and directly affected hosting communities.

The tension we are seeking to highlight in this reflection is between the impact of government policy and small electricity customers, who are bearing a greater share of the risk from these fast tracked projects in the form of uncertain total project costs and increased bill impacts. Customers are expected to shoulder this burden without this being made transparent and without the opportunity to provide meaningful feedback. These tensions are very evident in Transgrid's engagement with the TAC. It is clearly evident in a number of consumer preferences articulated by some TAC members, that remain unresolved in our view in Transgrid's Revenue Proposal.

We are calling for a mindset shift so that those who 'matter' in these decisions are extended beyond those most directly impacted, to include those downstream who ultimately pay - with our focus in this reflection on small customers. We are not alone in this call. Similar feedback was given to Transgrid by metro and regional customers in its first focus groups. Customers are already experiencing significant financial pressure, as reported in various cost-of-living analyses. These pressures exist before the additional network development and build costs are passed through in future periods, which may further exacerbate their burden going forward (all else being equal).

Our sense is that many changes have already been made to regulatory frameworks to respond to investors' concerns about the risk/reward equation during the build of major transmission projects. The Federal Government has created the concessional finance Rewiring the Nation fund. Further the AEMC has amended the NER framework and the NSW Government framework was designed to favour speed and therefore perceived investor return at consumers expense in order to support rapid delivery of projects and deployment of capital. Examples include:

- The change to the MCC;
- The financeability guideline;
- The change to CESS so that in an ex post review of overspends 100% of the capex for actionable ISP Projects spend might end up in the RAB with no CESS penalty; and
- Transgrid considering the use of the shipwreck re-opener provisions of the NER framework to reduce the amount of overspend above the original PEC contract that will be exposed to the CESS regime in an ex post capex review. Noting that the CESS guideline is currently being amended by the AER to enable 100% of ISP overspends found to be prudent and efficient to be added to the RAB with CESS penalties being reduced or waived.

At the same time the cost forecast and trend of major transmission projects are a very big concern:

- AEMO recently significantly increased cost estimates for transmission projects – in some cases by up to approx. 100% compared to costs in the 2024 ISP in its 2025 IASR;

- The costs for PEC doubled in 4 years from \$1.8B approved by the AER to \$3.6B; and
- VNI West stage 1 has more than trebled in 2 years from \$1B in 2023 to \$3.7B.

The escalating costs and impacts of bills, particularly in NSW, is fuelling the current debate about the appropriate speed of the transition and investment. The debate is intensifying with further polarisation of perspectives:

- On the one hand AEMO is reviewing which ISP projects will be actionable in the 2026 ISP. This is an acknowledgement of the material cost burden being borne by consumers. We understand that the 2026 ISP will prioritise leveraging capacity in the distribution networks as a short term priority.
- The EII Act has recently been amended to give the NSW Minister the power to direct capacity building of priority network infrastructure projects in the distribution network.
- At the same time the 2025 IIO has shifted to an 'ambitious' infrastructure build significantly expanding the development pathway by calling for higher investment in generation and long term storage before 2030. At p.4 of the 2025 IIO Report the Consumer Trustee observes:

"That is why the Infrastructure Investment Objectives report sets out an ambitious development pathway for NSW. We are calling for 16 GW of new generation by 2030 and more beyond that to 2040. This is a stretch target that will require a step-change in how quickly and efficiently projects progress through the pipeline, and in how we, as the Consumer Trustee, use our tenders to incentivise faster delivery of high-quality projects that deliver enduring value for NSW electricity customers."

If the reason for quicker roll out is a reduction in red tape and approval processes this would be less of a concern than attempts to deliver projects quicker at exponential costs.

- 2 gentailer CEOs recently called for planning laws to be streamlined in order to support a quicker transition 'even if mistakes are made'. When mistakes are made, such as the choice of original contract for PEC, there is no sense that any project proponent will be held responsible for those mistakes and consumers will pay the increased cost.
- Even after all the regulatory changes listed above, Transgrid argues in its Revenue Proposal that the regulatory framework still "provides for a low beta investment outcome and project risk parameters should be established accordingly" (at p.139).

We are concerned about the lack of accuracy in the forecast capital costs for transmission projects. Revenue determinations made or approved by the AER can subsequently be increased and final costs bear little resemblance to the starting estimates in the ISP or the IIO Reports. Consumer advocates were unsuccessful in their efforts to introduce NER rule changes designed to improve forecast accuracy through the adoption of specified AACE classes. We welcome the most recent focus on this issue with the AER's recent expectations for market tested Class 2 costs in the Marinus stage 1 Part B capex proposal.

Currently there is little incentive for project proponents to aim for reasonably accurate forecasts given the watering down of the ISP framework and the Roadmap frameworks we mentioned above. **We recommend that the AEMC and the NSW Government introduce a monitoring power for the AER to regularly check on project cost tracking. Regular publication of this information would enhance transparency and accountability. Networks responsiveness to any mid project observations should also be relevant in the AER's decision to waive or reduce a CESS penalty in the case of overspends.**

9. Projects that overlap the NER and the NSW Roadmap

Two NSW reports (the August 2023 Marsden Jacob NSW Electricity Supply and reliability Check-up report and the farrierswier review) have focussed on drawing connections between NSW planning processes by EnergyCo and by AEMO. These reports include important recommendations for creating feedback loops between the NER and Roadmap projects. We support the position in the farrierswier review that the NER should be the default regime for planning, approving and delivering transmission and distribution projects (p.67). However, the farrierswier review also highlights projects that might be moved from the NER to the Roadmap framework include ones with a risk that investment is not likely to be met “in a sufficient timeframe under the NER framework” (p.67). The interim report then discusses the need to develop these transfer pathways.

Two recent developments confirm the likelihood that more transmission projects will be managed under the Roadmap rather than under the NER.

1. The very recent changes made to the EII Act give the Minister extensive directions powers. The Minister's [second reading speech](#) on 7 August 2025 emphasised that these new powers are needed to support quicker delivery: *“As an example, it is estimated that the synchronous condensers that are needed to boost system strength in New South Wales could be in place 12 to 18 months earlier if they were able to proceed under the Electricity Infrastructure Investment Act rather than the national framework.”* Instead of several ‘least regrets’ syn cons Transgrid believes are needed for system strength being acquired under a CPA under the NER, we read for the first time in the Minister's second reading speech that this is now likely to occur under a Ministerial direction under the Roadmap.
2. The 2025 IIO Report emphasis that a step change is required in order to achieve the ambitious pathway.

We are concerned that efficiency and customer outcomes will be compromised if projects start under the NER and transition to the Roadmap. The Roadmap framework intentionally prioritises speed over certain capex forecasts, transparent scrutiny of trade-offs, and impacts on customer bills. For example, we do not believe consumer outcomes for these projects will be optimised. We are concerned that these transfers to the Roadmap and EII Act frameworks will reduce consumers, communities and consumer advocates' ability to influence networks, roadmap and other directed projects that directly impact their lives, without greater AER oversight.

We have the greatest confidence in the AER's role under the NER to review the cost benefit of projects and elevate and protect the LTFIC as the AER's role in reviewing prudence and efficiency is greater and the need for proposals to reflect customer preferences is also greater. The AER should be regulating all transmission projects - regardless of delivery mode or whether the project is distribution or transmission. This will ensure consistency, allow for holistic system-wide assessment and planning, and avoid isolated initiatives that might conflict with either broader plans or achieving the same elsewhere more cost effectively. **We encourage the AER to provide feedback to the farrierswier review on appropriate safeguards when projects are transferred from its extensive scrutiny under the NER to the Roadmap framework, and we welcome this feedback being made public.**

10. The AER needs to be bold

The AER has a critical role in the roll out of transmission projects in NSW under both Federal and State Government policy. The AER's role under the NER for ISP projects is more rigorous enabling the AER to review the prudence and efficiency of proposals including conducting independent cost benefit analysis. It also has well practiced and understood ex post review powers. The AER's expectations for consumer engagement in ISP projects are clearer than those for Roadmap Projects. **Nevertheless, we recommend the AER be more ambitious in its expectations for consumer engagement in ISP projects during this rapid time of change by enhancing its regulatory guidance to ensure that networks significantly increase their investment in and the quality of their consumer engagement with clearer AER expectations that revenue proposals reflect customer preferences.**

There are encouraging signs in the HCC REZ PPP that the AER is becoming more ambitious within its reduced role under the NSW Roadmap framework on behalf of customers. For example, we welcome the AER exploring different approaches in the Supplementary Appendix to the HCC REZ PPP to reduce the scope of costs that can be passed onto customers under the post determination adjustment events and bringing more expenditure into approved revenue, subject to the discipline of the incentive schemes.

We encourage the AER to be more vocal in its assessment in Roadmap policy to better lift up and align with the current pace and rate of change and ultimately to optimise and lay the best foundations to protect consumers' interests. For example:

- **We recommend the AER signals they are actively exploring ex post reviews of Roadmap projects. This would create an additional mechanism to provide guidance to EnergyCo on the impact of its approach to contract negotiation and post adjustment events. We encourage the AER to do a review of WSB in preparation for an important ex post review of CWO REZ (incl ACERREZ and Transgrid's enabling part of CWO REZ).**
- **The AER publicly support the recent farrierswier recommendation for greater transparency of EnergyCo's approach, modelling, planning costs and consumer engagement.**

- The AER publicly affirm and highlight the importance of transparent and sincere engagement with small customers underpinned by greater transparency of the risks being shifted to consumers as well as the cost impacts.
- The AER, where appropriate, exercise its power to reject or actively approve some of the contractual adjustment events imposed by EnergyCo and risk costs being sought by networks and advise parties that these need to be mitigated by greater upfront due diligence. This could lead to greater cost certainty even if that means a slight delay to Roadmap project delivery. This would be in addition to the delayed capex forecast adjustment approach being considered in the HCC REZ PPP.
- The AER in current and future non-contestable Roadmap project determinations clearly outline its expectations for meaningful consumer engagement on Roadmap projects.

The AER also has a critical role in setting the Default Market Offer (DMO) and in the scale and pace of network tariff reform. The [Nelson review August Draft report](#) includes several observations in chapter 6 to support the coordination of CER to support the wholesale market. The hope is that better co-ordination of CER will reduce the need for short-term investment in large scale generation and new transmission lines and will facilitate the entry of new participants into the wholesale market. [We recommend the AER intentionally in its review of the DMO and other pricing and tariff levers proactively stimulate these observations in the Nelson review.](#)

As we noted above there is a growing policy call for capacity to be maximised at the distribution level as this is expected to avoid some of the costs (at least in the next 5 years) and social licence issues involved with the extensive roll out of new transmission. We are concerned that if large scale renewable generation is bolted onto the distribution network that this will not be a TUOS charge. [The AER, and if appropriate the AEMC, should review the existing pricing frameworks and cost allocation methodologies of distribution networks to ensure that small customers will not be underwriting the connection costs of any future distribution connected generation, as Governments in many jurisdictions seek to speed up large scale energy asset connections that would otherwise be on the transmission network with associated pricing frameworks.](#)

Conclusion

As mentioned above the impact of Federal and NSW Government policy has emboldened investors and networks and it is becoming harder for consumer advocates and customers to influence networks' development of Roadmap project revenue proposals. We believe the AER can assist this by more clearly articulating its expectations on networks building NSW Roadmap projects. The AER has the potential to be the glue between the increasingly siloed Federal and State policies. No other body has the time or the mandate to pause and reflect on the implications for small customers of the very rapid expansion of the NSW Roadmap in the way that the AER does.

We see little point in the status quo where consumers review parts of Roadmap revenue proposals that we are unable to influence, nor in networks spending time

engaging with us on topics which they perceive impact investor return and where they do not intend to choose a different outcome that would favour consumers. Regardless of how fast governments want these projects delivered or which delivery mode is used, meaningful consumer engagement must occur. This includes genuine input, transparent feedback, and clarity on both cost and risk. The AER can give clear non-binding regulatory guidance in order to elevate and underpin best practice.

This is a cross roads moment and we believe that the consequences of the AER, planning bodies and governments not acting to elevate and support small customers' voices in the roll out of transmission will lead to reduced social acceptance of the transition. In 2-3 years' time the costs of the transition, particularly NSW Roadmap charges, will be extensive and will be being increasingly felt by small customers before the delivery of future reduced wholesale prices. To date there has been little transparency around the level and timing of the costs nor the risks being transferred to customers. There is a small time window where a change in expectations of network operators to engage with small customers might enhance social acceptance for the transition. Beyond being a fair expectation of those footing the bill, these are also voters - without transparency, there is a risk of backlash that could ultimately delay or derail the transition.

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26 August 2025