# Draft decision on Electricity Transmission Determination for Basslink 2026 to 2030

## (1 July 2026 to 30 June 2030)

## Attachment 4
## Efficiency benefit sharing scheme

September 2025

AUSTRALIAN ENERGY REGULATOR

Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: aerinquiry@aer.gov.au
Tel: 1300 585 165

AER reference: AER23007165

**Amendment record**

| Version | Date | Pages |
|---|---|---|
| 1 | 12 September 2025 | 4 |

# Note

This attachment forms part of the Australian Energy Regulator's (AER's) draft decision on the transmission determination that will apply to Basslink for the 2026–30 period. It should be read with all other parts of the draft decision.

The draft decision includes the following attachments:

Overview

Attachment 1 – Opening regulatory asset base

Attachment 2 – Capital expenditure

Attachment 3 – Operating expenditure

Attachment 4 – Efficiency benefit sharing scheme

Attachment 5 – Capital expenditure sharing scheme

Attachment 6 – Service target performance incentive scheme

Attachment 7 – Pricing methodology

Attachment 8 – Negotiated services

Attachment 9 – Pass through events

# Contents

# 4 Efficiency benefit sharing scheme

The efficiency benefit sharing scheme (EBSS) is intended to provide a continuous incentive for service providers to pursue efficiency improvements in operating expenditure (opex) and provide for a fair sharing of the benefits of these efficiencies between transmission businesses and network users.[1] Consumers benefit from improved efficiencies through lower regulated prices.

This section sets out our draft decision, our reasons, and how we will apply the EBSS over the 2026–30 regulatory control period.

## 4.1 Draft decision

Our draft decision is to apply the EBSS to Basslink. We propose to use our opex forecasts as the basis for calculating EBSS carryover amounts (EBSS penalties and rewards) in the 2026–30 regulatory control period. The opex forecasts are based on Basslink's opex expenditure in 2024–25 with adjustments as set out in the opex attachment (attachment 3 of this draft decision).

## 4.2 Basslink's proposal

### 4.2.1 Application in the 2025–30 regulatory control period

Basslink proposed not to apply the EBSS to the 2025-30 regulatory control period commencing on 1 July 2025. Basslink considered that applying the EBSS will produce uncertain outcomes rather than incentives on the business. Instead, Basslink proposed to collect data in the initial regulatory control period and then apply the EBSS in subsequent regulatory control periods.[2]

Basslink submitted that opex is difficult to forecast and there is significant uncertainty on future opex because of changes in Basslink's operating environment.[3] Basslink stated these changes reflect that it is moving from operating as a stand-alone business to being an integrated part of APA Group (APA), and that there are changes in reliability obligations in moving from a Market Network Service Provider (MNSP) to a regulated asset.[4]

Basslink also identified changes in insurance expenses, financial reporting costs, Australian Energy Market Operator (AEMO) fees and the costs of economic regulation and stated that it is likely there are other impacts from the change from an MNSP to a regulated network service provider which have not yet been identified.[5]

---

1 AER, *Explanatory statement – efficiency benefit sharing scheme*, November 2013, p 5.

2 APA, *Basslink Transmission Revenue Proposal* , 15 September 2023, p 65.

3 APA, *Basslink Transmission Revenue Proposal* , 15 September 2023, p 66.

4 APA, *Basslink Transmission Revenue Proposal* , 15 September 2023, p 66.

5 APA, *Basslink Transmission Revenue Proposal* , 15 September 2023, p 66.

### 4.2.2 Stakeholder submissions

We did not receive any stakeholder submissions on Basslink's EBSS proposal.

## 4.3 Assessment approach

Under the National Electricity Rules (NER) we must determine the values for the parameters for any EBSS that will apply to Basslink in the 2026–30 regulatory control period.[6]

The EBSS must provide for a fair sharing of opex efficiency gains and efficiency losses between the Transmission Network Service Provider (TNSP) and network users.[7] We must also have regard to the following matters when developing and implementing the EBSS:[8]

- the need to provide TNSPs with continuous incentives to reduce opex
- the desirability of both rewarding TNSPs for efficiency gains and penalising them for efficiency losses
- any incentives that TNSPs may have to inappropriately capitalise expenditure
- the possible effects of the scheme on incentives for the implementation of non-network alternatives.

### 4.3.1 Interrelationships

The EBSS relates to other incentives schemes that apply to Basslink. Related schemes include the capital expenditure sharing scheme (CESS) for capex, and the service target performance incentive scheme (STPIS). We aim to incentivise network service providers to make efficient decisions on when and what type of expenditure to incur and to balance expenditure efficiencies with service quality.

## 4.4 Reasons for draft decision

Our draft decision is to apply the EBSS in the 2026-30 regulatory control period. This will provide Basslink with a continuous incentive to minimise costs over the 2026–30 regulatory control period. In deriving proposed opex forecast, Basslink used 2021–2022 costs with adjustments to exclude one off costs (such as costs associated with arbitration with Hydro Tasmania) and include other costs (such as corporate costs). We have accepted Basslink's approach to use 2021–22 opex with adjustments. However, we have made adjustments to Basslink's forecast opex and consider that our opex forecast is likely to be representative of prudent and efficient costs for the purposes of applying the EBSS.

Basslink proposed not to apply the EBSS in the first regulatory control period because of changes in its operating environment. We acknowledge the changes in Basslink's operating environment. However, we consider these changes in their operating environment and their

---

6 NER, cl 6A.14.1(1)(iv) and cl. 6A.14.3(d)(2).

7 NER, cl 6A.6.5(a).

8 NER, cl 6A.6.5(b).

likely costs are readily identifiable such that they are unlikely to materially affect opex outcomes or have been considered in our opex forecast.

Our opex forecast applies Basslink's 2021–22 opex with adjustments to reflect changes in its operating environment that incorporate:

- allowances for corporate costs
- insurance costs
- step changes in costs, including for subsea cable repair, security of critical infrastructure, compliance costs and information technology.

We recognise that APA submitted that it is still undertaking the integration workstreams for incorporating Basslink into APA's operating environment and this project is expected to run for the next year.[9] However, we would expect Basslink to be better informed by its integration costs as this process should now have been completed.

Further, insurance costs are a significant contributor to the opex forecast (averaging 30.9% of total costs over the 2026–30 regulatory control period) and may fluctuate over time. In Basslink's case, however, insurance forecasts have been provided by an independent adviser and are estimated to be stable over the forecast period.[10]

9 APA, *Basslink Transmission Revenue Proposal* , 15 September 2023, p.66

10 APA, *Basslink, Marsh – Attachment 8.4 – Premium Projections and Insurance Market Update 230731 – Confidential*, 31 July 2023.

# Glossary

| Term | Definition |
|---|---|
| AEMO | Australian Energy Market Operator |
| AER | Australian Energy Regulator |
| CESS | Capital expenditure sharing scheme |
| EBSS | Efficiency benefit sharing scheme |
| MNSP | Market Network Service Provider |
| NER | National Electricity Rules |
| Opex | Operating expenditure |
| TNSP | Transmission network service provider |