
**CCP35 Advice to AER – AER Preliminary Position
Ausgrid - Hunter Central Coast RNIP
(Non-contestable) 2026-31- Revenue proposal**

Consumer Challenge Panel (CCP) Sub-Panel CCP35

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CCP35 Advice to AER – HCC REZ revenue proposal (AER preliminary position)

Acknowledgement of Country

I acknowledge the Traditional Custodians of the various lands on which Ausgrid owns and operates its networks and facilities. I honour the customs and traditions and special relationship of those Traditional Custodians with the land as well as those where this report is being prepared. I respect the elders of these nations, past and present.

Confidentiality

To the best of my knowledge this report does not present any confidential information.

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1 Summary

Overview

In November 2024 the Australian Energy Regulator (AER) established a Consumer Challenge Panel (CCP35) for the Central West Orana (Transgrid) and Hunter Central Coast (HCC) (Ausgrid) Renewable Energy Zone (REZ) non-contestable 2026-2031 revenue determinations to provide advice on the following:

1. The effectiveness of the network operator's engagement activities with consumers and how this is reflected in the development of the respective network's revenue proposals.
2. Whether the network operator's proposal, or elements, are in the long-term interests of consumers.

Ausgrid lodged its HCC Revenue Proposal 2026-31 (proposal) with the AER in relation to the NSW Hunter Central Coast (HCC) non-contestable project on 16 May 2025, which the AER subsequently published and will assess under the NSW Electricity Infrastructure Investment (EII) Act 2020.

The AER received two submissions on Ausgrid's proposal, including a submission from Ausgrid's Regulatory Panel (the Panel) and my CCP advice. Copies of those submissions can be found on the AER's website.¹

In August 2025 the AER published its Preliminary Position Paper (PPP) on Ausgrid's revenue proposal, which alongside Ausgrid's proposal, considered issues raised in the two submissions.

This advice responds to the AER's PPP.

Conclusion

Under the EII Act Ausgrid had limited time to prepare its revenue proposal and similarly the AER had limited time to prepare its PPP. Additionally, the regulatory process is new, the scope of the proposal over which consumers can influence is limited and various aspects have been subject to confidentiality claims.

The collective expenditure required for network operators to deliver projects to support the energy transition significantly impacts consumers. Consumers are more likely to support the energy transition if they can trust the processes and decisions to enable those projects to proceed.

Notwithstanding the various constraints associated with the development of this regulatory proposal, and the outstanding social licence expenditure proposal, I consider the AER has demonstrated good practice that has helped engender trust in the regulatory process and its preliminary position. Accordingly, I support the AER's preliminary position related to Ausgrid's HCC REZ proposal and consider the AER's preliminary position is in the long-term interests of consumers.

¹ AER, *Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project (non-contestable) Proposal*, 16 May 2025, <https://www.aer.gov.au/industry/registers/determinations/hunter-central-coast-renewable-energy-zone-network-infrastructure-project-non-contestable/proposal>, viewed on 26 August 2025

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2 Context for this advice

In 2021 the NSW Government under the NSW EII Act² appointed the AER as the economic regulator of infrastructure projects within its REZ along with the Energy Corporation of NSW (EnergyCo) as the infrastructure planner and AEMO Services as the Consumer Trustee to develop designated REZ in line with the NSW Electricity Infrastructure Roadmap³. EnergyCo, under the EII Act, as the NSW infrastructure planner, recommends REZ projects for NSW. AEMO Services as the independent Consumer Trustee, is responsible for authorising projects and setting the maximum prudent, efficient and reasonable project costs.

To date the NSW Government has declared five REZ shown on the attached map:⁴

Figure 2-1: NSW Renewable Energy Zones (May 2025)



On the recommendation of EnergyCo, the Consumer Trustee appointed Ausgrid to deliver the Hunter Central Coast (HCC) REZ project. The project which aims to deliver 1 GW of network capacity to support connection of renewable energy generation and storage within the HCC largely involves upgrades to Ausgrid's existing distribution network, thereby reducing the impact on land, communities, the environment and cost. Ausgrid is expected to complete the project by mid 2028.

The AER's role is to assess whether the network operator's costs to deliver a (predefined) REZ project are "prudent, efficient and reasonable".⁵

The AER expects network operators to develop their proposals in line with the *Better Resets Handbook*, and for a network operator to conduct "comprehensive pre-engagement"⁶ with the AER and stakeholders on the content of the proposal before the network operator lodges its proposal. Ausgrid lodged its proposal with the AER on 16 May 2025. The AER published its preliminary position paper in August 2025 and received two submissions.

² <https://legislation.nsw.gov.au/view/html/inforce/current/act-2020-044>, viewed on 27 May 2025

³ <https://www.energy.nsw.gov.au/nsw-plans-and-progress/major-state-projects/electricity-infrastructure-roadmap>, viewed on 27 May 2025

⁴ <https://www.energyco.nsw.gov.au/renewable-energy-zones/renewable-energy-zone-locations>, viewed on 27 May 2025

⁵ Electricity Infrastructure Investment Amendment (Network Infrastructure) Regulation 2024, 19 January 2024, cl. 47E(4)

⁶ AER, *Explanatory Statement, Final amendments to Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects*, July 2024

3 Regulatory decision making challenges

3.1 Key regulatory challenges

All parties face a number of challenges in their respective roles related to the development and of Ausgrid's revenue proposal and the AER's assessment:

- A regulatory determination under the NSW EII Act is new.
- The AER's guideline for non-contestable projects, including the benefit of consumer engagement in line with *Better Reset's Handbook* expectations, had not been tested until Ausgrid developed its revenue proposal for the HCC REZ project.
- The time frame for Ausgrid to engage with customers pre-lodgement, including preparing a draft plan and receiving feedback is limited under the EII Act compared to a regulatory proposal developed under the National Electricity Rules. This limits the scope and depth of engagement on matters in scope.
- The project itself, such as the location and infrastructure requirements are out of scope for the revenue proposal.
- Much of the detailed material that sits behind Ausgrid's proposal is confidential, and an assessment of specific information such as assumptions underpinning tenders for outsourced work were out of scope for any engagement or consumer challenge.
- The AER also has limited time to assess a proposal under the EII Act.
- The AER's role as a regulator under the EII Act is to assess whether the network operator's costs to deliver a predetermined REZ project⁷ are "prudent, efficient and reasonable".⁸ Whereas the meanings of "prudent" and "efficient" have been established under the NER, the meaning of the term "reasonable" is unique to the EII Act and has not been tested.
- While the AER scrutinises a network operator's project costs to assess their prudence, efficiency and reasonableness, it is not the AER's role to determine the size and scale of REZ projects per se.

All parties acknowledge the challenges for Ausgrid in developing its revenue proposal. The limited scope and confidentiality and timing have curtailed the extent Ausgrid could engage with its Panel and likewise the opportunity for the CCP to form a view on whether Ausgrid's proposal is in the long-term financial interests of consumers.

3.2 Consumer support for projects to facilitate the energy transition

Consumers are more likely to support the energy transition if they can trust the processes and decisions to enable those projects to proceed. As noted by the Race for 2030:⁹

"A key determinant of the success of the energy transition over the next decade will be the degree of confidence that customers have that this transition will serve and protect their interests. This requires a clear appreciation of both what customers see as their

⁷ The project scope and scale are EnergyCo's responsibility.

⁸ NSW Government, *Electricity Infrastructure Investment Amendment (Network Infrastructure) Regulation 2024*, 19 January 2024, cl. 47E(4)

⁹ Race for 2030, *C9 Research Project, Benchmarking customer priorities and trust in the energy sector, Final Report*, May 2024, p. 8

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interests in this context, and the extent to which customers trust the energy sector and government to serve these interests.”

Much has been written on the subject of trust and factors that influence trust. Earlier this year the OECD published the findings of its 2023 *OECD Trust Survey* of a representative sample of more than 2,000 Australians. The survey identifies a number of values that drive public trust in public policy making and implementation in Australia.¹⁰ The three domains identified in the report are: openness, integrity and fairness.¹¹ Of particular relevance is “openness” which includes ease and availability of information (transparency) providing clear explanations (reasoning), as well as providing citizens with an opportunity to voice opinions.

3.3 Implications for regulatory decision making

The collective expenditure required for network operators to deliver projects to support the energy transition significantly affects consumers as they are expected to pay for the projects through their energy bills. The predefined project scope, and timeframes and various confidential inputs into Ausgrid’s proposal, such as procurement costs that are outside Ausgrid’s control, have limited the extent that Ausgrid was able to openly engage with Ausgrid’s customer Panel and respond to various issues the Panel raised. These constraints also have implications for the AER’s regulatory decision making.

Consequently, there is a heightened need for trust in the regulatory process and decision making. It is not sufficient to assume consumers or consumer representatives will automatically trust decision makers, particularly when consumers are facing escalating energy bills and consumer support is essential for an efficient transition to a sustainable energy future.

Significantly, in its submission, the Panel challenged the AER to closely scrutinise aspects of the HCC REZ project and Ausgrid’s proposal, and to improve transparency. For example the Panel encouraged the AER to seek more information from EnergyCo on the Infrastructure Planner fee, even though that fee does not form part of the AER’s capex assessment.¹² The Panel also raised questions about the Maximum Capital Cost (MCC) after establishing the MCC does not represent a cost cap for consumers, as well as ongoing engagement costs and sought the AER’s reassurance around Ausgrid’s proposed adjustment events to ensure consumers were not bearing an unfair level of risk.¹³ The Panel also challenged the AER to explain “reasonable” with respect to its assessment of Ausgrid’s proposal.¹⁴ My earlier advice to the AER is supportive of the Panel’s challenge to the AER.

¹⁰ OECD, *Drivers of Trust in Public Institutions in Australia, Building Trust in Public Institutions*, 2025, OECD Publishing, Paris

¹¹ Ibid.

¹² HCC REZ Reg Panel, *Ausgrid Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project, HCC REZ Reg Panel Report to the AER*, May 2025, p. 2

¹³ Ibid

¹⁴ Ibid

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4 Support for the AER's preliminary position

Despite the novelty of this revenue determination and the various challenges, the AER has responded well to the issues raised by the Panel and CCP and demonstrated good engagement transparency and reasoning.

4.1 AER engagement

In relation to good engagement:

- The AER has been a constant presence at Ausgrid's meetings with the Panel, as an observer and to respond to questions as appropriate.
- I anticipate the AER has a greater appreciation of consumer perspectives through its observations and attendance at Ausgrid's meetings with the Panel.
- Since publishing its PPP, the AER has met directly with the Panel on several occasions (with Ausgrid also attending) to gather feedback on the supplementary appendix to its preliminary position paper and discuss additional matters and suggestions raised by the Panel and Ausgrid, such as how the AER should consider procurement-induced uncertainty events.
 - I have observed those meetings to be collegiate, productive and respectful with a common desire to achieve the best possible outcome for consumers.
 - The AER has been open to challenge from the Panel and thoughtfully considered the Panel's suggestions.
- Panel members have indicated they have appreciated the opportunities to meet with the AER and the AER has listened to them and been responsive to their issues.
- The AER's public forum provided interested parties with an opportunity to learn more about the HCC REZ project, Ausgrid's proposal, the AER's PPP and consumer perspectives and to question and challenge the AER and others.

4.2 Transparency and reasoning

In relation to transparency and reasoning:

- The AER's PPP acknowledges the issues raised in the Panel and CCP submissions, such as our views on the capital expenditure sharing scheme (CESS), lack of transparency and a lack of a cap in relation to adjustment events and the meaning of "reasonable" in relation to expenditure proposals under the EII framework.
- The AER has explained its response to the issues raised in the submissions in the PPP and the PPP's appendix.
- The AER has also considered and pursued broader transparency issues raised in submissions. For example, in the interest of transparency and public interest the AER requested Ausgrid and EnergyCo, to substantiate confidentiality claims related to the six adjustment mechanisms in Ausgrid's proposal. Consequently, Ausgrid and Energy Co retracted most of those claims and the AER published details of the adjustment mechanisms for the relevant procurement induced cost uncertainty contractual compliance events in and appendix to its PPP.¹⁵

¹⁵ AER, *Preliminary Position Paper – Hunter-Central Coast REZ network infrastructure project (non-contestable) – Supplementary Appendix: Adjustment mechanisms*, August 2025, Table A3, pp.14-22

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- Transparency and reasoning have been further enhanced through the AER’s engagement with Ausgrid and the Panel since the AER published its PPP, such as the AER’s briefing on the appendix to the PPP in advance of the public forum. The AER has met further with the Panel to discuss and seek their views on outstanding aspects of its PPP, such as limiting the risk to consumers of uncapped adjustment events related to the project design and contractor costs.¹⁶

4.3 Outstanding matters

4.3.1 Social licence

Ausgrid is seeking a \$5.3 million capped (\$2025-26) capex allowance for community and social licence to help it make tailored social licence investment decisions that are required to deliver the project.¹⁷ Both the Panel and CCP questioned whether this amount is too high on the basis that this project seems to have reasonable acceptance in the community and whether Ausgrid’s proposed social licence engagement plan is too ambitious in the circumstance.

Questions have also emerged about the consequences on social licence if the project parameters change, such as the route which could result in a different number of landholders being affected. If there are material changes, it is also important that consumers are engaged.

I note in the PPP that the AER is still considering Ausgrid’s social licence proposal, and so my advice remains that **the AER should seek more detailed evidence of the outcomes of Ausgrid’s pre-lodgement engagement and identification of any resulting social licence risks, to better inform its assessment of Ausgrid’s social licence proposal.**

4.3.2 Engagement on adjustment events

If Ausgrid needs to seek any adjustments that are material to the proposal, it is important that consumer views are sought and the proposal is supported by evidence of consumer engagement. Various consumer challenge Panel members remain concerned that historically, consumer engagement on reopeners is limited or even absent and so it is difficult to establish that any reopener is in the long-term interests of consumers.

I therefore encourage the AER to establish a process (such as a customer Panel and a CCP) to ensure consumer views are considered should Ausgrid seek any adjustments to its proposal.

¹⁶ Ausgrid should also be credited here for being proactive in developing possible solutions to reduce the uncertainty of these costs.

¹⁷ Ausgrid, 2026-31 HCC RNI Project, Attachment 5.7 Social Licence proposal, May 2025, p.1

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5 Conclusion

In my previous advice, I concluded:

“Ultimately, I am limited in my ability to form a definitive view as to the extent Ausgrid’s proposal reflects consumer preferences due to the limited scope of engagement, and the difficulties drawing direct links between consumer influence and specific elements of Ausgrid’s proposal where Ausgrid did engage.”¹⁸

Regardless, and notwithstanding those constraints and the outstanding social licence proposal, I consider the AER has demonstrated good practice that has helped engender trust in the regulatory process. Accordingly, I support the AER’s preliminary position related to Ausgrid’s HCC REZ proposal and consider the AER’s preliminary position is in the long-term interests of consumers.

Overall, I commend Ausgrid, the AER and Ausgrid’s customer Panel for their genuine commitment to achieving a good outcome for consumers and setting a good precedent for other revenue proposals and determinations for non-contestable projects under the EII Act.

¹⁸ CCP35, CP35 Advice to AER – Ausgrid - Hunter Central Coast RNIP 2026-31- Revenue proposal, June 2025, p.29