AUSTRALIAN ENERGY REGULATOR

Tuesday, 30 September 2025

Basslink

2026–30 Electricity Transmission Determination

Predetermination Conference

30 September 2025

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Acknowledgement of Country

Jarrod Ball

AER Board Member

Agenda

Topic	Speaker	Duration
Welcome and Acknowledgment of country	Jarrod Ball, AER Board Member	5 mins
Our draft decision	Kami Kaur, General Manager, Network Expenditure	20 mins
APA Presentation	Beth Griggs, Group Executive, Legal, Governance and Regulatory	15 mins
Facilitated discussion	Kami Kaur, General Manager, Network Expenditure	25 mins
Closing remarks, next steps	Jarrod Ball, AER Board member	5 mins

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Draft Decision

Kami Kaur

General Manager – Network Expenditure

Draft decision - Summary

Category	Key elements
Maximum Allowed Revenue ($nominal, smoothed)	**$428.8M** ($14.0M / 3.2% ↓ than proposed)
Opening regulatory asset base (RAB)	**Opening value ($2026–27): $720.51M** ($32.27M / 4.28% ↓ than proposed)
Capital expenditure ($2024–25)	**$95.8M** accepted ($3.2M / 3.2% ↓ than proposed)
Operating expenditure ($2025–26)	**$101.0M** accepted ($17.9M / 15.1% ↓ than proposed)
Consumer Bills (nominal increase)	**Tasmania** **Residential**: $22 increase in 2026–27, followed by increases of $1 per annum for the remaining 3 years **Small Business:** $26 increase in 2026–27, followed by increases of $1 per annum for the remaining 3 years **Victoria** **Residential:** $10 increase in 2026–27, followed by increases of $1 per annum for the remaining 3 years **Small Business:** $28 increase in 2026–27, followed by increases of $1 per annum for the remaining 3 years

Draft decision - Summary

Category	Key elements
Capital expenditure sharing scheme	Decided to apply the capital expenditure sharing scheme
Efficiency benefit sharing scheme	Decided to apply the efficiency benefit sharing scheme
Service target performance incentive scheme	Decided to not apply the service target performance incentive scheme • **Service Component** – The AER will collect data from Basslink relevant to the service component parameters • **Network Capability Component** – Will not apply, consistent with other interconnectors • **Market Impact Component** – Current version of the service target performance incentive scheme has suspended the application of this component
Pass through events	**Approved:** • Insurer credit risk event • Natural disaster event **Approved with amended definition** • Terrorism event • Insurance coverage event **Rejected** • REZ design report event • Offshore project assessment event

Basslink opening regulatory asset base

Our draft decision determined an opening regulatory asset base value at 1 July 2026 of $720.51M ($2026–27).

Methodology

- Consistent with the previous regulatory approach set by our decisions for Murraylink and Directlink, we assessed Basslink's depreciated actual cost, depreciated optimised replacement cost and the benefits provided by the asset.

- We determined the depreciated actual cost to be the lowest cost.

Differences to proposed asset base

- The difference between our draft decision and Basslink's proposal is mechanistic and is driven by alternative input values that we consider result in a more accurate reflection of Basslink's depreciated actual cost.

Basslink capital expenditure

Key capital expenditure projects ($2024–25)

Project	Basslink proposed capex ($M)	AER Draft Decision ($M)	Difference ($M)	Difference (%)
Control and protection system	82.6	81.9	-0.7	-0.8%
Other (DC Reactor refurbishment, spares, minor plant & equipment, program management)	3.9	2.2	-1.7	-44.0%
Subsea cable repair strategy	7.3	7.3	0.0	0.0%
SOCI	2.8	2.8	0.0	0.0%
Physical Security and Natural Hazards	1.7	1.0	-0.6	-37.4%
IT/OT	0.7	0.6	-0.1	-12.2%
Total capex	99.0	95.8	-3.1	-3.2%

Basslink operating expenditure

Key opex drivers ($2025–26)

	Basslink Proposal ($M)	AER Position ($M)	Difference ($M)	Contribution to Total Difference (%)
Based on reported opex	94.3	94.4	0.1	0.1%
Remove category specific forecasts	–53.7	–53.8	–0.1	–0.0%
Total trend	0.4	0.8	0.5	0.4%
Total step changes	27.4	26.8	–0.6	–0.5%
Category specific forecast: Insurance	48.9	31.2	–17.7	–14.9%
Total opex, excluding debt raising costs	**117.2**	**99.4**	**–17.8**	**–14.9%**
Debt raising costs (DRC)	1.7	1.6	–0.1	–0.1%
Total opex (including DRC)	**118.9**	**101.0**	**–17.9**	**–15.1%**

Basslink revenue determination 2026–30

30 September 2025

APA

25 Years of securing Australia's energy future

Acknowledgement of Country

At APA, we acknowledge the Traditional Owners and Custodians of the lands on which we live and work throughout Australia.

We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present, and commit to ensuring APA operates in a fair and ethical manner that respects First Nations peoples' rights and interests.

About Basslink

A critical energy infrastructure asset for Tasmania and Victoria

April 2006
commenced operation

40 years
design life

$988M
construction cost [1]

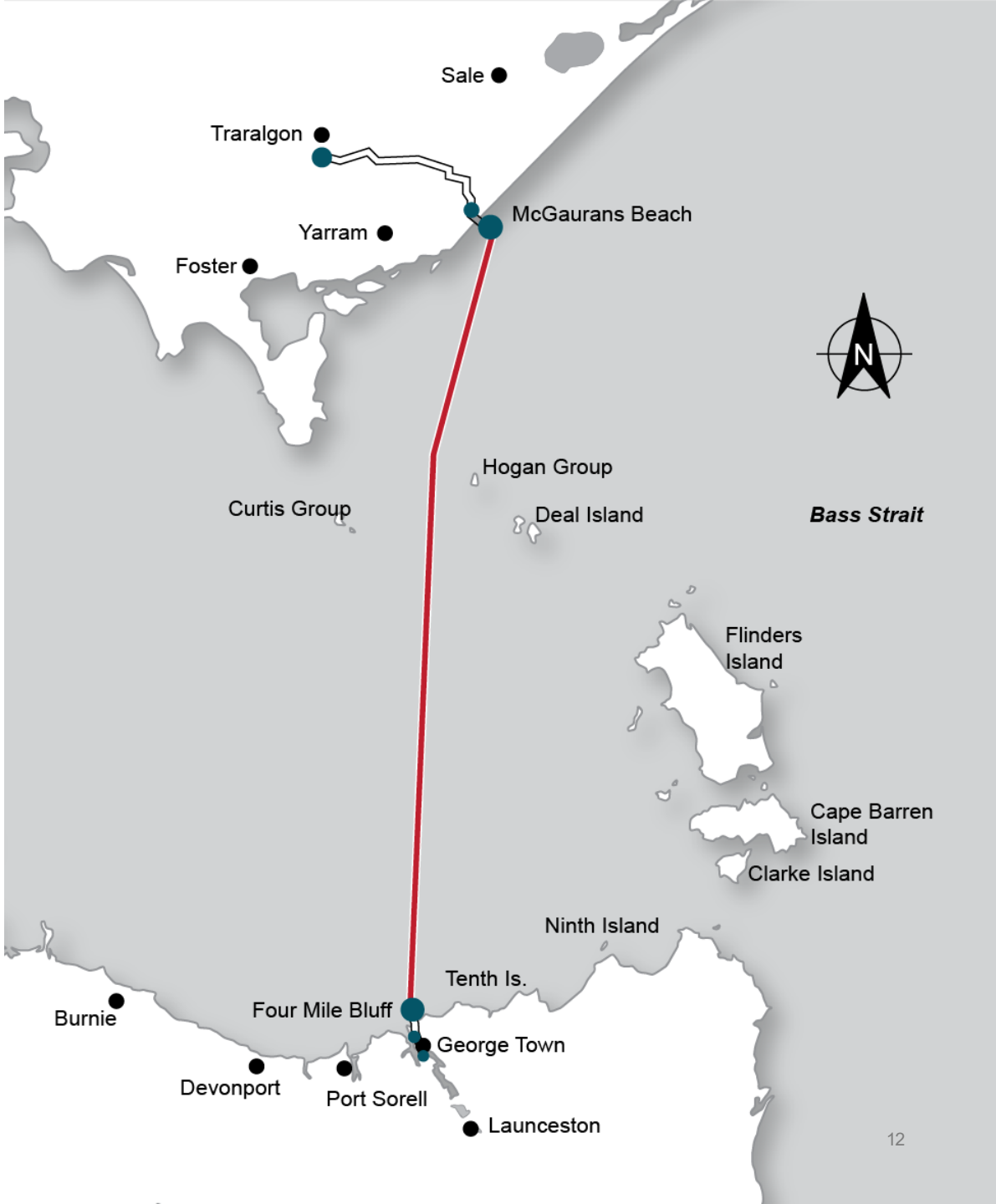
370km
cable linking Victoria and Tasmania

critical asset
sole interconnector between Victoria and Tasmania

~500MW

~2,600GWh
on average flowing across Basslink annually[2]

>99%
availability over the past 5 years[3]



1 Nominal
2 Calendar year 2020
3 Energy availability excluding 2018 fault during maintenance period caused by an external contractor

Snapshot of response to the draft decision[1]

Outside the draft decision

Initial RAB — $721m

Reviewing technical adjustments related to rate of return and forecast inflation rate

Capital expenditure — $99m

Addressing the AER's request to provide additional information regarding the replacement of the control & protection system

Cost sharing — 75:25 Vic:Tas

Supported, noting adjustment from 90:10 in the original Proposal, in response to stakeholder concerns

FCSPS costs — $?

- Still being negotiated
- Cost sharing will differ – based on benefits
- Will be passed through

Operating expenditure — $101m

Reviewing some minor adjustments and will provide updated insurance forecasts and justification for choice of higher premium option

Revenue requirement — $403m

Accepted pending review of the items noted

Expected bill impacts[2]

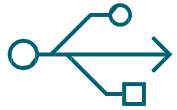
	Tas	Vic
Residential customer	$5.58	$0.78
Small business customer	$10.92	$20.04

1. Dollars shown are real 30 June 2026
2. Assumes annual usage of 7,666 kWh for a Tasmanian residential customer, 4,727 kWh for a Victorian residential customer and 30,000 kWh for a small business customer, includes FCSPS hardware costs and estimated proceeds from Settlement Reside Auctions, but excludes cost impacts from FCSPS

Control & protection system (C&PS) – why it's important & needs to be replaced

'Supercomputer' & interface

undertakes the computations for switching action to deliver the right AC & DC functions



Valve based electronics

the electronics & suite of hardware that drive the switching of the thyristors that change AC to DC

Essential for reliability & safety

- allows electricity to flow between Tasmania and Victoria
- ensures integration with the AC grids in both states

Design unique to Basslink

first iteration of Siemens fleet, designed to meet Basslink's precise specifications with many unique components

Design assumed a 20-year life

with initial replacement midway through the design life of the thyristor valves – commissioning in 2006 equates to replacement in 2026

23-year-old design

out of date technology & system requirements (e.g. cybersecurity) compared to modern systems

Less OEM support

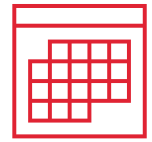
- no programmers left
- staff with knowledge & expertise declining
- production of spares reduced
- many components already obsolete

Troubleshooting success declines

as the knowledge and expertise of OEM staff decreases

Spares longevity reduced

- when troubleshooting is unsuccessful, spare parts must be used
- electronics tend to fail at a certain age rather than smoothly across their lifetime



Obsolescence imminent

OEM has indicated they are looking to remove all support in 2030

Control & protection system

Response to the draft decision

The AER have requested Basslink provide additional information to justify the level of the cost estimate

We will engage with Siemens to determine their ability to provide additional cost information

We will explore other regulatory approaches for the expenditure to see if they will better address the AER's concerns regarding the current cost uncertainty, namely:

- Contingent project
- Cost pass through event
- Capex reopener

Thank you

APA
Australia's energy infrastructure partner

Next steps

Milestone	Date
AER publishes draft decision on Basslink's revenue proposal	12 September 2025
AER holds a predetermination conference	30 September 2025
APA to submit a revised revenue proposal	14 November 2025
Submissions on AER's draft decision and APA's revised proposal closes	12 December 2025
AER publishes final decision on Basslink's revenue proposal	February 2026

Submission details

- We invite interested parties to make submissions on the draft decision by **5pm AEDT, 12 December 2025**.

- Submissions should be emailed to resetcoord@aer.gov.au