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Our Ref: #31150066  
Contact Officer: David Monk  
Contact Phone: [REDACTED]

11 December 2025

Alex McPherson  
General Manager, Regulation & Policy  
Transgrid  
180 Thomas St  
Sydney NSW 2000

Dear Alex

**Re: AER Determination – Transgrid – 2024–25 network support cost pass through**

I am writing to advise you of the AER's assessment of Transgrid's 2024–25 network support cost pass through application submitted on 18 September 2025 for network support costs incurred in 2024–25. The costs relate to Transgrid's Network Support Agreement with the entities controlled by Edify Energy for stability services in South-Western NSW.

In accordance with clause 6A.7.2(e) of the National Electricity Rules (NER), the AER has determined that a positive change event has occurred, and the required positive pass through amount is \$3.07 million (\$Dec 2026). This amount should be reflected in Transgrid's maximum allowed revenue for 2026–27.

The approved positive pass through amount equals Transgrid's actual network support payments incurred in the 2024-25 regulatory year. We have excluded the proposed \$1.71 million in preparation costs from the approved pass through amount in accordance with clause 6A.7.2(i)(2) of the NER, as these costs were not incurred in the preceding regulatory year during which the positive network support event occurred.

Details of the AER's assessment against the relevant factors set out in the NER are set out in Attachment A. If you have any queries in relation to this matter, please contact David Monk at [REDACTED]

Yours sincerely

[REDACTED]

Kami Kaur  
General Manager  
Network Expenditure

Sent by email on: 11.12.2025

## Attachment A: Requirements for determining a positive change event has occurred

Requirement of the NER	Our consideration
Is the pass through event a network support event? <sup>1</sup>	Yes. The pass through event is a network support event as defined in the NER, cl 6A.7.2.
What is the date on which the positive change event occurred?	We consider that the positive network support event occurred in the regulatory year concluding on 30 June 2025, as a result of Transgrid's response to the identified need to address constraints and manage system stability issues in South-Western NSW.
Did Transgrid submit a written statement of its pass through application within 60 business days of the positive change event occurring? <sup>2</sup>	Yes. Transgrid submitted its pass through application on 18 September 2025.
Did Transgrid specify details of the positive change event, including the date on which the event occurred, in its written statement? <sup>3</sup>	Yes. Transgrid's written statement is available on our website.
Did Transgrid specify in its written statement the eligible pass through amount, the proposed positive pass through amount, and the amounts proposed to be recovered from customers in each regulatory year? <sup>4</sup>	Yes. Transgrid proposed an eligible positive pass through amount of \$4.78 million (\$Dec 2026) to be recovered from network users in 2026–27.
Did Transgrid specify in its written statement evidence of the actual increase in costs that occurred solely as a consequence of the positive network support event? <sup>5</sup>	Yes. Transgrid's written statement set out the network support costs it incurred in 2024–25 above its network support allowance, as well as how it calculated its proposed pass through amount.
Was there a regulatory information instrument applicable to the pass through application? <sup>6</sup>	No.
We must take into account the matters and proposals set out by Transgrid in its written application provided to the AER on 18 September 2025. <sup>7</sup>	We have had regard to the matters set out by Transgrid in its application in making our determination, including the proposed network support costs and the timing of incurred costs.
In the case of a positive network support event, we must take into account the increase in costs in the provision of prescribed transmission services that Transgrid has incurred in the preceding regulatory year as a result of the positive network support event. <sup>8</sup>	We consider Transgrid has incurred additional costs of \$3.07 million (\$Dec 2026) as a result of the network support event in the 2024–25 regulatory year. This is the amount by which Transgrid's network support payments were higher than its network support payment allowance in that regulatory year.
We must take into account the efficiency of Transgrid's decisions and actions in relation to the risk of the event, including whether Transgrid has failed to take any action that could reasonably be taken to reduce the magnitude of the positive network support event and whether Transgrid has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that event. <sup>9</sup>	We consider that Transgrid has likely operated efficiently in its decisions and actions relating to the risk of the positive change event occurring, including its approach to contracting for stability services in South-Western NSW consistent with the preferred option to meet the identified need considered in the <i>Improving Stability in South-Western NSW</i> RIT-T.

<sup>1</sup> NER cl. 6A.7.2(a)

<sup>2</sup> NER cl. 6A.7.2(c)

<sup>3</sup> NER cl. 6A.7.2(c)(1)

<sup>4</sup> NER cl. 6A.7.2(c)(2)

<sup>5</sup> NER cl. 6A.7.2(c)(3)

<sup>6</sup> NER cl. 6A.7.2(c)(4)

<sup>7</sup> NER cl. 6A.7.2(i)(1)

<sup>8</sup> NER cl. 6A.7.2(i)(2)

<sup>9</sup> NER cl. 6A.7.2(i)(3)

<p>We must take into account the time cost of money.<sup>10</sup></p>	<p>To account for the time cost of money, WACC escalations are applied for a period of one and a half years when determining the pass through amount. Therefore, in our calculation we applied:</p> <ul style="list-style-type: none"> <li>• 2025–26 nominal WACC of 5.77% over one year, which represents the year in which the connection charge cost pass through application is submitted and assessed by the AER</li> <li>• a further 2026–27 nominal WACC of 5.88% for half a year, which represents the period where the pass through amount is passed through to customers.</li> </ul>
<p>We must take into account the need to ensure that the pass through amount reflects only the network support costs incurred solely as a consequence of the network support event.<sup>11</sup></p>	<p>We consider that the approved pass through amount to be recovered by Transgrid due to this pass through event is solely attributable to the incremental costs incurred by Transgrid above its network support payment allowance in the 2024–25 regulatory year (the network support event).</p>
<p>We must consider whether any other factors are relevant.<sup>12</sup></p>	<p>We do not consider any other matters to be relevant.</p>

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<sup>10</sup> NER cl. 6A.7.2(i)(4)

<sup>11</sup> NER cl. 6A.7.2(i)(5)

<sup>12</sup> NER cl. 6A.7.2(i)(6)