Attachment 9.14

Response to Draft Decision on IT Transition

Revised Final Plan 2026/27 – 2030/31

January 2026

PUBLIC

Australian Gas Networks

1 Executive summary

AGN's gas distribution networks have been operated and maintained by APA since 2007. APA serviced all networks owned by AGN across Australia, covering around 1.4 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory. APA has not provided operating and maintenance services to other entities within the AGIG group.

APA advised its intention to no longer provide operating and maintenance services, consistent with its strategy of focussing on being an owner and operator of its own energy infrastructure. This means that systems within the APA IT environment used to operate and maintain AGN's networks need to be transitioned from the APA environment. The transition is critical for the ongoing operation and maintenance of the AGN networks and, importantly, to ensure continuity of safe and reliable network services for our customers.

To provide certainty and maintain stability of our operations the IT transition activities commenced on 1 December 2025. To support this, APA is providing transition services that maintain support for the systems and applications APA has used to run those operations. This is so AGN operations can continue to run as usual while we set up our own systems. The transition services will run until the bulk of systems have successfully migrated across to AGN's IT environment. This means that whereas our original Final Plan assumed an 18-month transition and stabilisation commencing 30 June 2027, our Revised Final Plan reflects the updated timing of the transition having commenced on 1 December 2025.

The IT transition program proposed for the next access arrangement (AA) period covers the transition of AGN systems from the APA IT environment into the AGN IT environment. The preferred approach to complete this is Option 2, 'Lift, Shift and Merge'.

The AER has included a placeholder of $0[1] ($2025-26) capex ($64.7 million less than in our Final Plan) for the IT Transition program in its Draft Decision and also rejected the associated opex step change of $18.6 million[2]. The AER has sought additional information on the options considered (i.e. Lift, Shift and Merge versus Lift and Shift) and the costs assumptions underlying each. Additional information was also sought around the corporate structure and relationship between AGIG and AGN.

Given the program is now underway, our cost estimate in this Revised Final Plan is informed by the actual costs we are incurring, reflecting both labour unit rates and the required scope of work. Our revised forecast for AGN totals $191.3 million in capex and $208.3 million in opex. AGN SA's share of these costs is $67.4 million[3] of capex and $73.4 million of opex in total, with capex of $41.0 million and opex of $61.5 million falling into the next AA period (1 July 2026 – 30 June 2031). Once we net off the opex baseline for AGN's IT services, the one-off opex step change associated with the IT Transition in the next AA period is $18.7 million.

This reflects most recent information on the cost and timing of the work required to complete the transition, and is informed by:

- actual costs incurred for Day 1 Integration Management Office activities;
- competitively tendered IT Infrastructure costs for licences, data centre hardware, data centre delivery and unit rates for end-user compute;

[1] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p. 10 and Appendix A.1 (ICT), p.14 – 17.
[2] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 3 – Operating Expenditure, November 2025, section 3.5.3.3, p. 20 – 22.
[3] The dollar amounts quoted in this Attachment 9.14 are expressed in $December 2025, before applying the real cost escalation.

- competitively tendered System Implementor (SI) rates for solution delivery; and
- updated effort forecasts for solution delivery obtained from recent discovery work undertaken by our system implementor, including identification of additional applications to be transitioned.

We set out further information in this response to:

- demonstrate that Lift, Shift and Merge is the more prudent and efficient option based on cost and risk (section 3.2);
- justify the rates, effort and contingency assumptions used to cost the program, which have now been updated to incorporate actual competitively tendered rates and efforts being incurred (section 3.3); and
- further explain our cost allocation approach and demonstrate that AGN customers will pay only the share of costs that are directly attributable to the services and benefits they receive (section 3.4).

The Lift, Shift and Merge approach (Option 2 in our Final Plan) was selected as the preferred delivery method as it offers the greatest benefit to customers over the shortest time frame.

The Lift and Shift phase of the transition is fundamental to both Option 1 (Lift and Shift only) and Option 2. The key difference between the two options is that under Option 2 we take the next step of proactively merging AGN applications into the existing applications already owned by AGIG entities at the earliest and most appropriate opportunity to simplify and reduce the cost and risk of operating those systems for AGN, ultimately benefiting AGN customers.

Under Option 1 (Lift and Shift only), there would be two operating environments running in parallel (one for AGN and one for MGN) and we would not take *proactive* measures to consolidate AGN's IT assets with MGN's IT assets and eliminate duplication. To be clear, Option 1 provides limited opportunity to reduce operating costs or risk.

The merge component under Option 2 will see us deliver a series of activities to consolidate with MGN applications, eliminate duplication and reduce ongoing operating costs where practicable. Importantly, we are aiming to time merge activities with careful consideration for the remaining life of each IT software asset, its business criticality, and each application's upgrade cycle. This approach helps ensure we are merging applications at the optimal time and avoiding non-critical upgrade costs or merging outdated assets.

The proactive merge aspect of Option 2 is fundamental to achieving lower long term operating costs. The decision to take control of and operate our own IT systems is a long term business strategy that will allow us to manage our costs and the service we provide customers over the coming decades. The Lift and Shift aspect of the transition will be completed early in the next AA period, and it is vital to our long term strategy that we commence the merge as soon as reasonably practicable.

Based on our current estimates and proactive merge schedule, we do not expect to commence realising benefits from the IT transition until towards the end of the next AA period, but those benefits and subsequent opportunities to consolidate systems and processes with MGN will flow through to the following period and beyond. Section 3.2 of this paper includes an NPV assessment that shows that Option 2 provides a significantly better outcome over the longer term, consistent with the long term thinking behind this strategic decision for our business and our customers.

KPMG's letter in Attachment 9.15 also shows:

- As a result of APA's exit from the networks operations business, the costs associated with the IT transition are unavoidable and are required in order to ensure the continued operation of services to AGN's customers.

- Transitioning the systems and data from the APA IT environment to AGN's control is prudent, given the opportunity to:
    - Uplift our cyber security posture and compliance with obligations as a critical infrastructure owner;
    - Improve the cost profile for AGN over time by consolidating and rationalising systems over time; and
    - Improve customer outcomes by enabling more direct control over the end customer experience.

2 AER's Draft Decision

In its Draft Decision the AER did not accept the forecast expenditure (capex and opex) related to the transition of information and communication technology (ICT) functions out of APA Group. The AER stated[4]:

> *AGN's proposed expenditure for its preferred option for the transition project, included general risk allowances, as well as high labour rates and hours compared to current market estimates. Further, the ICT transition costs are not clearly articulated as being directly attributed to the AGN business. We require further information on:*
>
> - *the additional benefits and further analysis demonstrating that AGN's preferred Option 2 is a more prudent option compared to the least cost Option 1*
> - *more detailed information on the key tasks required for the transition, including labour rates and hours*
> - *information on AGN's company structure to demonstrate costs are associated with AGN and not [sic: other AGIG entities]*

In Appendix A.1 to the capex attachment of the Draft Decision and section 3.5.3.3 of the opex attachment[5], the AER provides direction on what it requires to support the inclusion of the program in its Final Decision.

The AER identifies three key areas it expects AGN to address:

- long-term operating costs;
- project costs; and
- AGN company structure.

The AER's concerns in each of these areas are summarised in the following sections.

2.1 Long-term operating costs

The AER is not satisfied AGN has adequately demonstrated that the Lift, Shift and Merge approach (Option 2) is more prudent than a Lift and Shift (Option 1) approach. Despite the AER acknowledging modelling showing that Option 1 results in higher operating costs over 10 years, the AER noted that the difference in capex and opex was minimal and requires AGN to provide "*further information and economic analysis demonstrating that the cost of operating that stand-alone environment (Option 1) is not the best option over time compared to Option 2.*"[6]

The AER added:

> *Given the rate of change of ICT technology and the rapid payback of associated ICT assets, we are further concerned that Option 2 may not be the lowest cost option over the 10 years.*[7]

[4] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.10.
[5] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 3 – Operating Expenditure, November 2025, p.20-22.
[6] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.15.
[7] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.15.

2.2 Project costs

The AER has questioned three areas of the forecast project costs (capex and opex): contingency, labour rates and labour time estimates.

2.2.1 Contingency

The AER highlights that "*[a]s a general principle we only accept risk allowances in limited circumstances that are specific to a particular project or program."* In cases where the AER considers specific risks are reasonably likely to arise it will "*review the nature of each type of risk as well as the basis of the calculation of the estimated risk cost(s).*" The AER has requested AGN provides "*further project-specific analysis from AGN to support its risk allowance assessment in its revised proposal."*

2.2.2 Labour rates

The AER notes "*AGN's proposed internal and external labour rates appear to be substantially higher than currently available market rates"* referencing equivalent roles advertised on seek.com.au.[8] The AER highlights that:

> *AGN has not provided additional substantive details of the scope of work, nor a detailed cost benefit assessment to enable us to assess whether these rates are prudent and efficient. AGN's business case model only provides high-level information on the application and its approach (for example, 'extract and provide data'), which does not reasonably substantiate the proposed time to demonstrate efficiency.*[9]

2.2.3 Labour time estimates

The AER considers the "*labour time estimates are high and affected by several inflationary factors such as complexity, level of customisation and application size to adjust these rates. For example, the number of effort days required for a data or application transfer, which do not appear to be fully justified."*[10]

The AER provides guidance on the information it requires:

> *We require AGN to provide further information on its estimates, including a detailed cost benefit assessment and analysis of underlying calculations and assumptions to demonstrate that the proposed expenditure is prudent and efficient. This should include outlining specific tasks to substantiate the labour cost and time spent on each component of this project, and supporting evidence to show labour rates are in line with current Australian market standards. Overall, we require AGN to demonstrate prudency and efficiency of its preferred option (Option 2) compared to Option 1.*

[8] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.16.
[9] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.16.
[10] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.16.

2.3 AGN company structure

The AER has raised the need for further clarity on how the AGN company structure affects the costs associated with the transition, and the recovery of those costs from customers.

The AER states:

> *In its proposal, AGN appears to identify ICT (capex and opex) as being owned and operated by AGIG, with AGN utilising these ICT facilities to operate its gas network.[51] The ICT transition project is a whole of AGIG project ($168.9 million) with AGN's cost allocation being 35.2%.[52] Notwithstanding the information provided in AGN's proposal and subsequent workshop, we consider that there still remains uncertainty about which costs AGN is seeking to recover. In AGN's proposal, there are numerous references to AGIG rather than AGN on the transition.[53] AGN should only be seeking expenditure to maintain its existing ICT services and not the costs to transition those services from APA to AGIG. We require further substantiating information from AGN in its revised proposal for us to be satisfied that the ICT transition capex are AGN's costs, are prudent and efficient and should be recovered from AGN's customers.[11]*

The AER also notes:

> *We are not satisfied that AGN has provided adequate information to demonstrate that the proposed expenditure is for AGN, as the regulated entity, to continue to efficiently procure relevant services, rather than directly funding capacity and upgrades for AGIG. In AGN's revised proposal, we seek additional information from AGN to address our concerns, including providing a written disclosure of the company structure, and a clearly specified attribution of the transition project costs.[12]*

[11] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.16-17.
[12] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 3 – Operating Expenditure, November 2025, p.21-22.

3 AGN's response to the Draft Decision

This section provides an overview of our progress since the Final Plan was provided to the AER. It also provides our detailed response to the three issues raised by the AER in its Draft Decision, being:

- long-term operating costs;
- project costs; and
- company structure.

3.1 Progress on the IT transition since the Final Plan

The forecasts included in the Final Plan were developed during early 2025 by external consultants KPMG. They were developed using the best information available in the circumstances and reflected a reasonable forecast at the time of submission in July 2025.

Over the last six months since that initial forecast, we have undertaken considerable planning work. We have established and are continuing to build our internal project team, engaged key implementation partners, and defined the technical approach that will underpin the Lift and Shift activities of the IT transition.

Most importantly, we have a more detailed understanding of the technology solutions that will enable the Lift and Shift of key systems and data from around 80 applications, as well as the transition patterns for those 80 applications. These have then been split across six waves, centred around:

- business enabling/foundational applications;
- non-production systems;
- three groups of core IT systems including any tightly coupled/integrated applications; and
- operational technology (OT).

More information on our approach to the Lift and Shift elements of the program, including a list of the applications by wave, are provided in Appendix A to this paper.

As a result of this more mature information, we have developed a revised forecast of the IT transition cost. This includes a revised estimate of effort days and unit costs based on a competitive tender process and actual costs incurred to date. More information on our forecasts is included in sections 3.3.2 and 3.3.3 of this response.

It is important to understand that AGN will incur unavoidable costs given APA will no longer provide operating and maintenance services:

> *The IT/OT assets have been managed by APA under the O&M Agreement and are within the APA IT environment. Given the discontinuation of O&M services by APA, there is a need to transition the IT/OT assets from the APA environment for business continuity and ongoing service provision. Our view is that this transition, either to AGN or to an alternative third party provider, and the associated costs are unavoidable for AGN.*[13]

Transitioning the IT systems and data to AGN's control approach also provides an uplift to our cyber security posture and compliance with our obligations as a responsible entity for critical

[13] AGN SA Revised Final Plan, Attachment 9.15 IT Transition Further Information, KPMG: Australian Gas Networks IT Transition Costs, p 3

infrastructure.[14] It also enables improved customer outcomes, giving us greater control of the customer experience.[15]

We maintain the view that Option 2 (Lift, Shift and Merge) is a more prudent and efficient transition method than Option 1 (Lift and Shift), and the planning work to date helps substantiate this. The revised total cost estimate for the IT transition for AGN SA over the next AA period is $41.0 million capex and $18.7 million net opex (exclusive of escalation), as shown in

Table 3.1.

Table 3.1: Revised cost estimate for the IT transition (AGN SA 2026/27 – 2030/31 forecast)

Option 2

Lift/Shift & Merge

1 July 2026 – 30 June 2031	**Total** ($Dec 2025 AUD)*	
	AGN	**AGN SA**
Solution Delivery (Finance, Customer, Regulatory, People, Network, Technology)	$77.8 M	$27.4 M
Integration Management Office (IMO, Program Arch, Prog & Tech Assurance, GRC, CMO)	$19.6 M	$6.9 M
Infrastructure Delivery (incl. Security, EUC)	$19.1 M	$6.7 M
Total CAPEX	**$116.5 M**	**$41.0 M**
Transitional Services	$36.4 M	$12.8 M
Application Licencing & Product Support	$36.4 M	$12.8 M
Infrastructure, Security & Connectivity	$22.8 M	$8.0 M
IT Support (Labour)	$78.8 M	$27.8 M
Total OPEX	**$174.4 M**	**$61.5 M**
Minus OPEX Baseline	-$121.5 M	-$42.8 M
Net OPEX*	**$52.9 M**	**$18.7 M**
TOTEX (Option 2)	**$290.8 M**	**$102.5 M**

*Note this is a one-off increase in opex for the next AA period, ongoing opex in subsequent AA periods will be lower than the current baseline

We submit that our revised cost estimates have been arrived at on a reasonable basis and represent a robust forecast of the transition costs based on the information available at this stage of the program. Actual costs will inevitably vary from forecast, however our project management controls, as well as the mechanisms in the regulatory framework, will help promote efficient investment.

[14] See KPMG letter, Attachment 9.15, page 3-4.
[15] Ibid page 4.

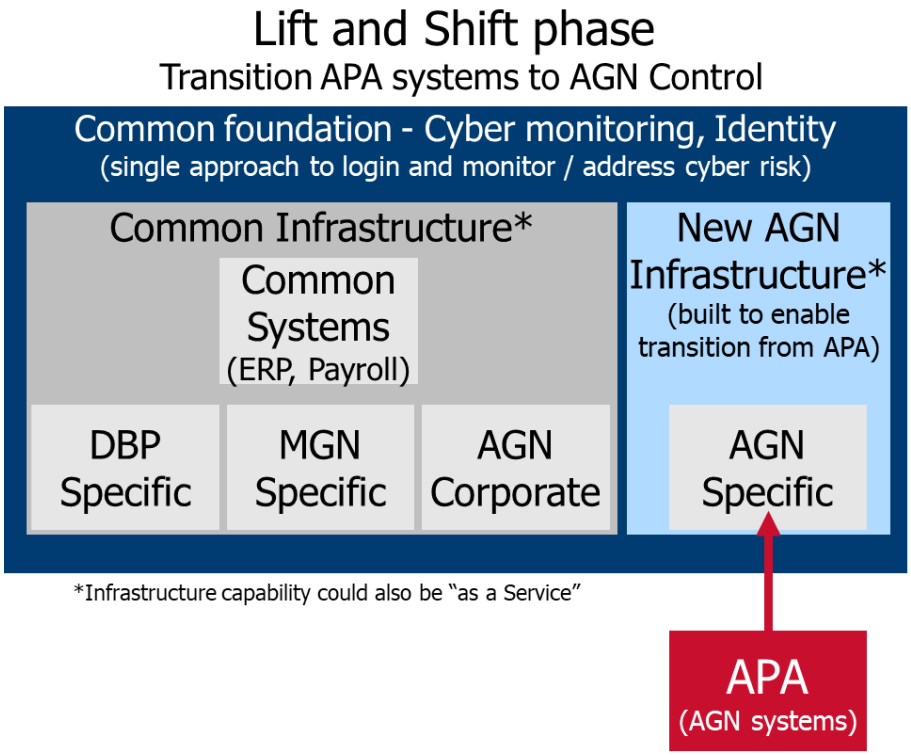
Our responses to the AER's specific concerns on the long-term operating costs, project costs and company structure are provided in the following sections.

3.2 Long-term operating costs

The AER has questioned whether Option 2 (Lift, Shift and Merge) is the more prudent option compared to Option 1 (Lift and Shift). The AER acknowledges that Option 1 is estimated to be a higher total cost (capex and opex) than Option 2 over 10 years but is concerned that given the rate of change of technology and the payback period of IT assets, Option 2 might not be the lowest cost option.

To clarify, in Option 2, the first phase of the transition is to Lift and Shift systems used to support AGN operations from APA's IT environment. The Lift and Shift phase involves standing up a parallel environment within AGN, with APA continuing to support the AGN customer requirements while this is being completed. This includes establishing new AGN data centres and then migrating all required applications and their data from their current location in the APA IT environment, to the new AGN data centres. This is illustrated by the light blue section in the figure below.

Figure 3.1: High-level diagram of the IT environment during the Lift and Shift phase



We further describe the current IT environment (dark grey section in the above figure) at section 3.4 below.

It should be highlighted that the Lift and Shift occurs in both Option 1 and Option 2. The key difference between the two options is that under Option 2 we take the next step of proactively merging AGN applications into the existing systems already owned by AGIG entities, where practicable, to simplify and reduce the cost and risk of operating those systems for AGN, ultimately benefiting AGN customers. We have proposed this is practicable and beneficial for 27 of the AGN applications. Under Option 1 (Lift and Shift only), we run the two operating environments (DBP/MGN and AGN) in parallel and do not take *proactive* measures to consolidate IT assets and eliminate duplication. To be clear, Option 1 provides limited opportunity to reduce operating costs or risk.

The AER seems to be concerned that the rapid evolution of IT assets means a proactive merge effort is not required, and that operating IT systems in a separate, standalone environment may be a better option over time. We do not believe this is the case.

The proactive merge aspect of Option 2 is fundamental to achieving lower long term operating costs. Under a Lift and Shift only approach (Option 1), while there may be some natural consolidation with MGN and DBP over time as applications reach the end of life, this would be an entirely reactive approach and means customers will not realise benefits as under Option 2 quickly. Waiting for applications to reach end of life would also not address the largest and most critical applications (e.g. finance or asset management systems).

Even though IT application versions can have a short lifespan, we do not agree with the AER's view that the lift, shift and merge may not be the lowest cost option "*given the rate of change of ICT technology and the rapid payback of associated ICT assets*"[16]. While IT hardware assets and application versions may be refreshed within a five-year period, investment to replace (rather than upgrade) any one of our core IT systems is undertaken much less frequently, once every 15-20 years (at most).

Under a Lift and Shift only approach where there would be two standalone environments with two separate systems operating across AGN and MGN, it would be many years until we reached the point where applications were each at end of life; we were considering an alternative system; and reactive consolidation could occur. In this circumstance, if we did not proceed with a proactive merge, we would not be able to realise the expected efficiencies as we would be running two separate and expensive systems for much longer than necessary.

We maintain that the proactive merge component of the IT transition is critical to our transition strategy and validates our assessment that Option 2 results in a better outcome for customers over the longer term. This is discussed further in the following section.

3.2.1 Why merge?

There are two drivers for a proactive merge of IT assets:

1. **Long term cost reduction** – reducing ongoing costs by eliminating duplication and consolidating application, platform and support costs where practicable.
2. **Management of risk** – reducing the risks associated with asset failure and potential cyber security weaknesses by reducing the number and variety of IT applications being managed **(i.e. two IT environments = twice the risk).**

3.2.1.1 Long-term cost reduction

The merge of applications, and the timing of that merge, are central to the success of any major IT transition. Under Option 2 we are coordinating merge activities so we transition applications and data at the most appropriate time, considering the circumstances of each individual asset.

All our assets have regular lifecycle maintenance needs and are subject to regular minor and major upgrades. During any IT transition there is a risk some assets could be migrated to a new environment, only to be subject to replacement shortly after. To mitigate this risk, we are considering the ongoing upgrade program, the remaining economic and technical asset life of both duplicate assets, and the business criticality of the asset when identifying the optimum time to merge.

[16] AER, Draft Decision, AGN (SA) access arrangement 2026 to 2031, Attachment 2 – Capital Expenditure, November 2025, p.15

The IT transition commenced in December 2025 (please see updated timeline in Figure 3.3 below). It is forecast to last around 18 months, followed by around six months of stabilisation and planning before the merge stage commences. The merge activities are expected to occur from January 2028 at the earliest. Several system upgrades have been paused leading up to and during the Lift and Shift to ensure stability. This means that by the time the Lift and Shift has been completed, some applications will be due for upgrade, with some already under extended vendor support. This is because we consider pausing the application upgrades during the transition will minimise the risk that the application upgrade will be impacted by the transition or will cause the transition itself to be delayed at additional cost.

Following the lift and shift phase, the merge activities will eliminate duplicated applications within AGN and ensure that data and services are migrated to the preferred application. Duplicate applications (currently estimated at 27 applications as shown in Appendix B), will be consolidated into the existing systems already owned by AGIG entities to simplify and reduce the cost and risk of operating those systems for AGN, ultimately benefiting AGN customers.

A high-level view of IT systems used by APA to deliver its obligations under the operating agreement (Day 0) under transition services (Day 1), and then by AGN itself post Lift and Shift (Day 2) and post Merge (Day 3) is provided in Figure 3.2.

The corresponding timeline and project activities is provided in Figure 3.3.

Figure 3.2: High-level view of responsibilities, corporate and operational systems and IT environments in use at current state, Day 1, Day 2 (Post Lift and Shift) and Day 3 (Post Merge)

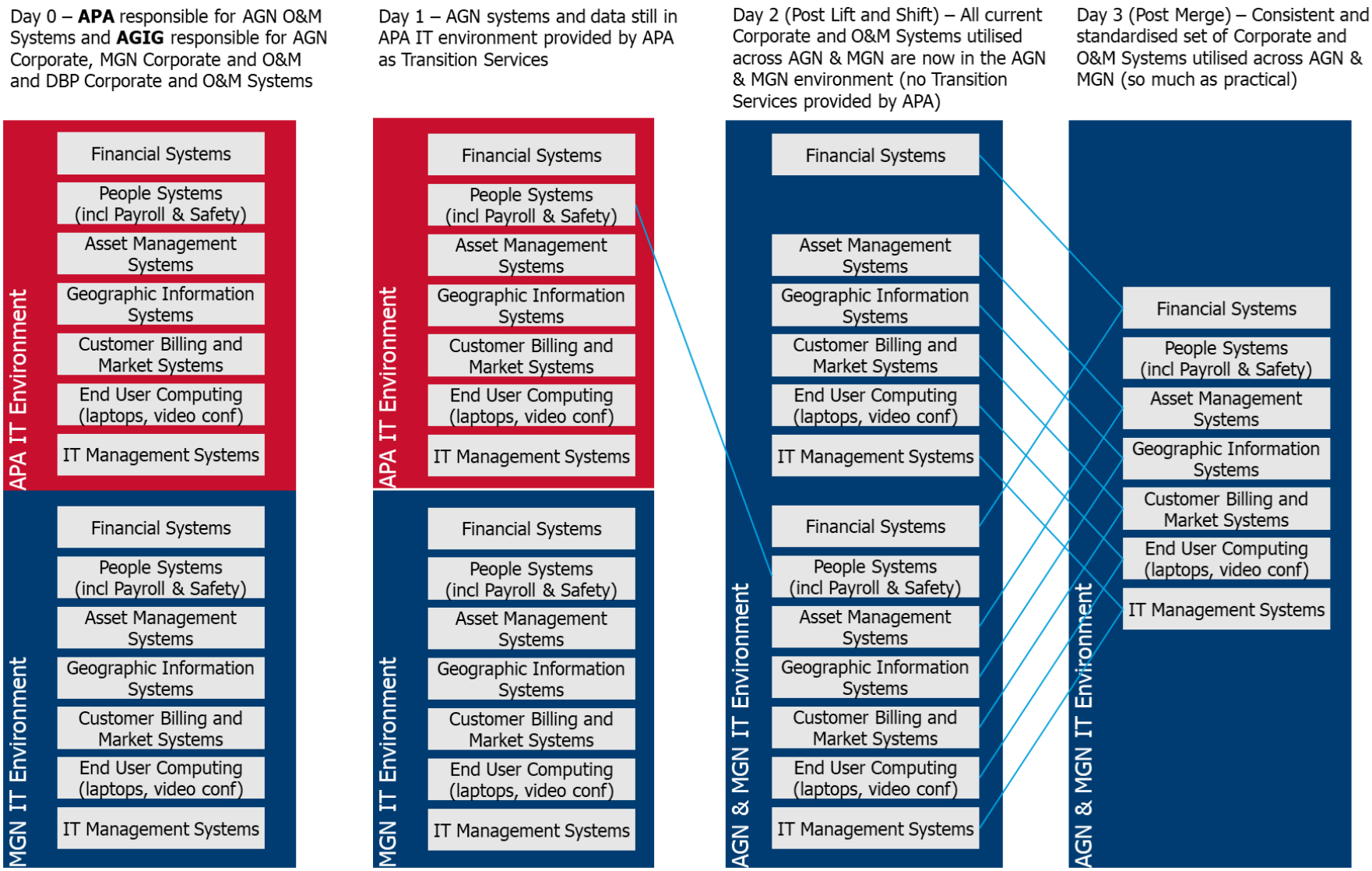
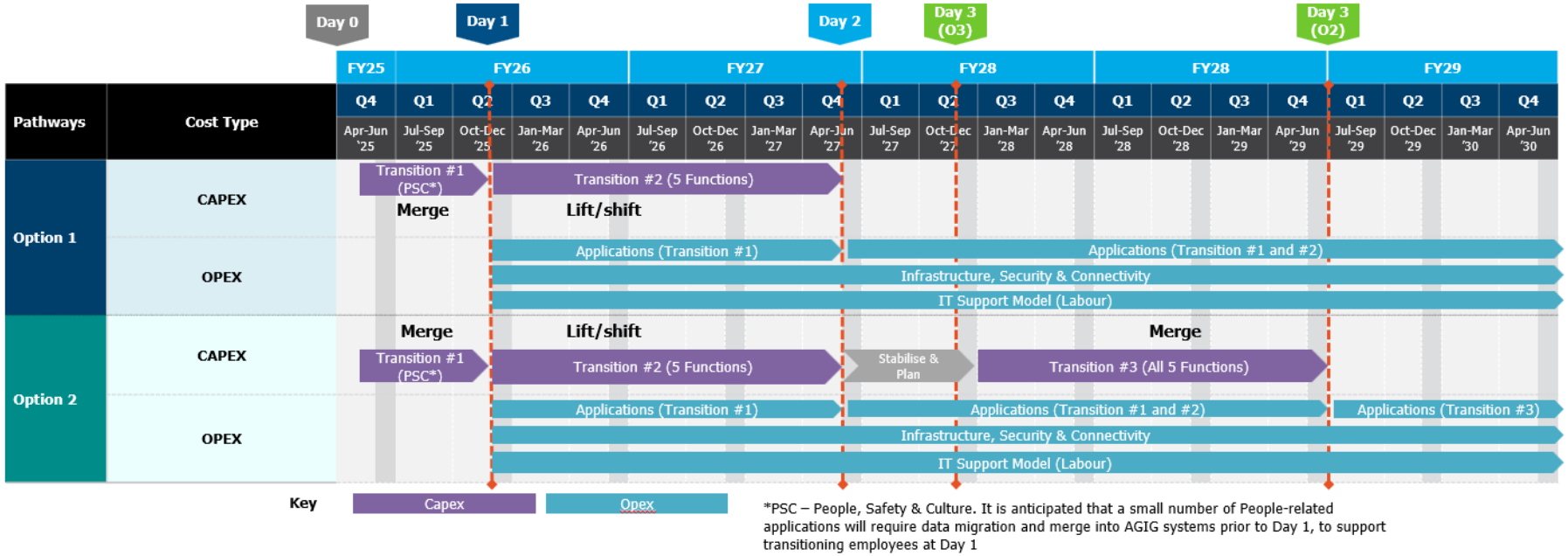
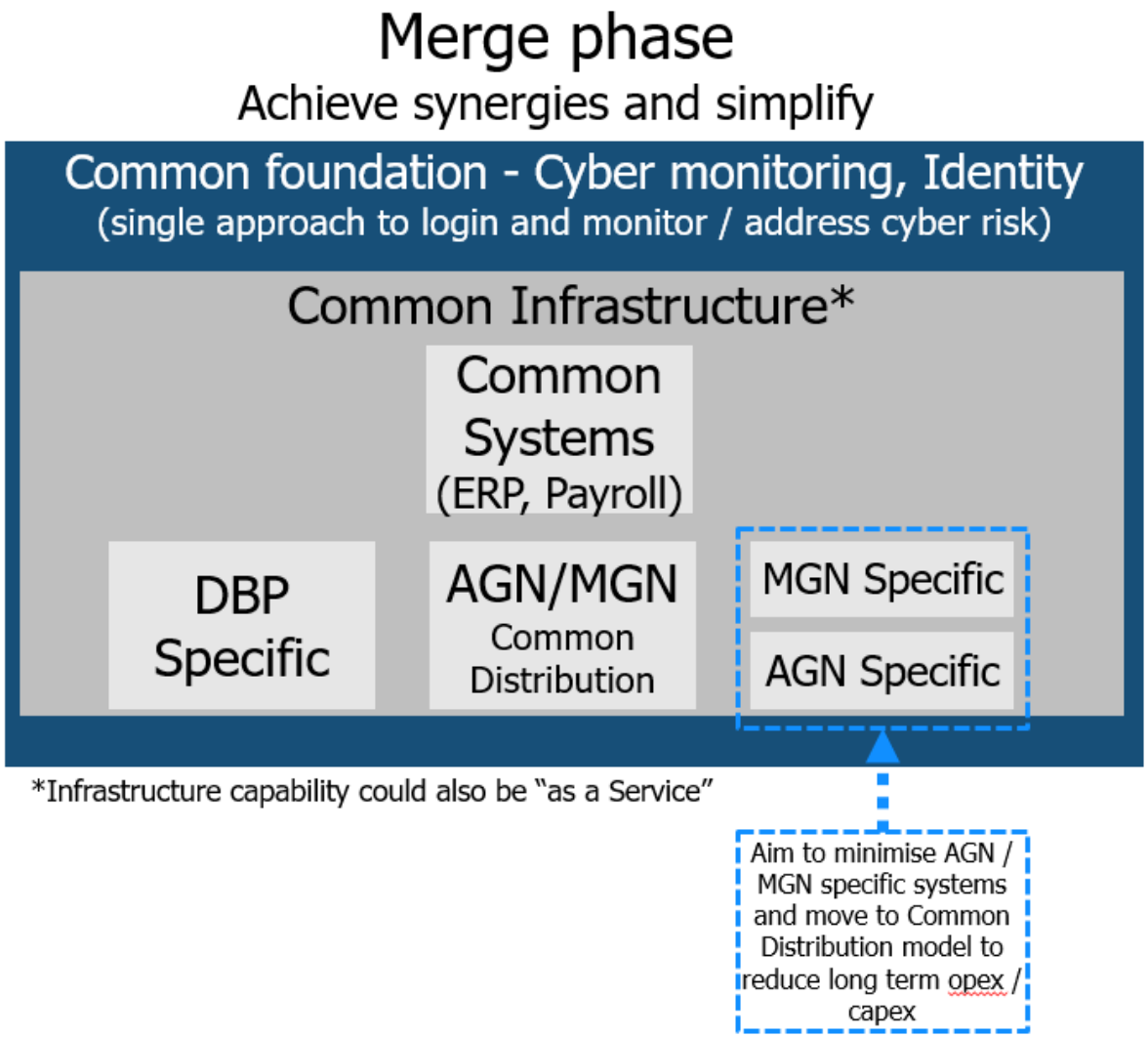


Figure 3.3: Updated AGN IT Transition timeline



The overall merged environment (Day 3) could also be represented by the following diagram.

Figure 3.4: Diagram of the IT environment after the Merge phase is completed



The updated 5-year and 15-year analysis of overall project costs, as well as ongoing operating costs, is shown in the following tables.

Table 3.2: 5-year project cost analysis

			Regulatory Period						
	FISCAL YEAR	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Reg AA FY27-FY31 Total	FY26 - FY31 Total
OPTION	CATEGORY	1-Jul-25	1-Jul-26	1-Jul-27	1-Jul-28	1-Jul-29	1-Jul-30	Total	
Baseline	**OPEX (Total)**	**$21.0 M**	**$22.0 M**	**$23.1 M**	**$24.2 M**	**$25.4 M**	**$26.7 M**	**$121.5 M**	**$142.4 M**
	Shared Service Recharge (SSR)	$21.0 M	$22.0 M	$23.1 M	$24.2 M	$25.4 M	$26.7 M	$121.5 M	$142.4 M
	TOTEX (Baseline)	**$21.0 M**	**$22.0 M**	**$23.1 M**	**$24.2 M**	**$25.4 M**	**$26.7 M**	**$121.5 M**	**$142.4 M**
Option 1	Solution Delivery	$35.0 M	$35.2 M	-	-	-	-	$35.2 M	$70.2 M
	Integration Management Office	$13.9 M	$5.8 M	-	-	-	-	$5.8 M	$19.7 M
	Infrastructure Delivery	$26.0 M	$2.9 M	$1.8 M	$3.5 M	$6.3 M	$4.5 M	$19.1 M	$45.0 M
	Total CAPEX	**$74.8 M**	**$43.9 M**	**$1.8 M**	**$3.5 M**	**$6.3 M**	**$4.5 M**	**$60.1 M**	**$134.9 M**
	TSA (excl. IT support)	$25.8 M	$36.4 M	-	-	-	-	$36.4 M	$62.1M
	Application Licencing & Product Support	$0.8 M	$1.5 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$45.2 M	$45.9 M
	Infrastructure, Security & Connectivity	$2.7 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$27.1M	$29.8 M
	IT support	$4.6 M	$9.3 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$83.9 M	$88.5 M
	Total OPEX	**$33.9 M**	**$52.6 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$192.6 M**	**$226.5 M**
	TOTEX (Option 1)	**$108.7 M**	**$96.5 M**	**$36.8 M**	**$38.5 M**	**$41.3 M**	**$39.5 M**	**$252.6 M**	**$361.3 M**
Option 2	Solution Delivery	$35.0 M	$35.2 M	$16.6 M	$26.0 M	-	-	$77.8 M	$112.7 M
	Integration Management Office	$13.9 M	$5.8 M	$4.6 M	$9.2 M	-	-	$19.6 M	$33.5 M
	Infrastructure Delivery	$26.0 M	$2.9 M	$1.8 M	$3.5 M	$6.3 M	$4.5 M	$19.1M	$45.0 M
	Total CAPEX	**$74.8 M**	**$43.9 M**	**$22.9 M**	**$38.8 M**	**$6.3 M**	**$4.5 M**	**$116.5 M**	**$191.3 M**
	TSA (excl. IT support)	$25.8 M	$36.4 M	-	-	-	-	$36.4 M	$62.1M
	Application Licencing & Product Support	$0.8 M	$1.5 M	$10.9 M	$10.9 M	$6.6 M	$6.6 M	$36.4 M	$37.2 M
	Infrastructure, Security & Connectivity	$2.7 M	$5.4 M	$5.4 M	$5.4 M	$3.3 M	$3.3 M	$22.8 M	$25.5 M
	IT support	$4.6 M	$9.3 M	$18.8 M	$18.8 M	$16.5 M	$15.4 M	$78.8 M	$83.4 M
	Total OPEX	**$33.9 M**	**$52.6 M**	**$35.1 M**	**$35.1 M**	**$26.3 M**	**$25.2 M**	**$174.4 M**	**$208.3 M**
	TOTEX (Option 2)	**$108.7 M**	**$96.5 M**	**$58.1 M**	**$73.9 M**	**$32.7 M**	**$29.8 M**	**$290.8 M**	**$399.5 M**

Table 3.3: 15-year project cost analysis

	FISCAL YEAR	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	15-Year Total
OPTION	CATEGORY	1-Jul-25	1-Jul-26	1-Jul-27	1-Jul-28	1-Jul-29	1-Jul-30	1-Jul-31	1-Jul-32	1-Jul-33	1-Jul-34	1-Jul-35	1-Jul-36	1-Jul-37	1-Jul-38	1-Jul-39	
Baseline	**OPEX (Total)**	**$21.0 M**	**$22.0 M**	**$23.1 M**	**$24.2 M**	**$25.4 M**	**$26.7 M**	**$28.0 M**	**$29.4 M**	**$30.8 M**	**$32.3 M**	**$33.9 M**					
	Shared Service Recharge (SSR)	$21.0 M	$22.0 M	$23.1M	$24.2 M	$25.4 M	$26.7 M	$28.0 M	$29.4 M	$30.8 M	$32.3 M	$33.9 M	$35.6 M	$37.3 M	$39.2 M	$41.1M	$450.1M
	TOTEX (Baseline)	**$21.0 M**	**$22.0 M**	**$23.1 M**	**$24.2 M**	**$25.4 M**	**$26.7 M**	**$28.0 M**	**$29.4 M**	**$30.8 M**	**$32.3 M**	**$33.9 M**	**$35.6 M**	**$37.3 M**	**$39.2 M**	**$41.1 M**	**$450.1 M**
Option 1	Solution Delivery	$35.0 M	$35.2 M	-	-	-	-	-	-	-	-	-	-	-	-	-	$70.2 M
	Integration Management Office	$13.9 M	$5.8 M	-	-	-	-	-	-	-	-	-	-	-	-	-	$19.7 M
	Infrastructure Delivery	$26.0 M	$2.9 M	$1.8 M	$3.5 M	$6.3 M	$4.5 M	-	-	-	-	-	-	-	-	-	$45.0 M
	Total CAPEX	**$74.8 M**	**$43.9 M**	**$1.8 M**	**$3.5 M**	**$6.3 M**	**$4.5 M**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$134.9 M**
	TSA (excl. IT support)	$25.8 M	$36.4 M	-	-	-	-	-	-	-	-	-	-	-	-	-	$62.1M
	Application Licencing & Product Support	$0.8 M	$1.5 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$10.9 M	$144.2 M
	Infrastructure, Security & Connectivity	$2.7 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$5.4 M	$78.7 M
	IT support	$4.6 M	$9.3 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$18.7 M	$256.4 M
	Total OPEX	**$33.9 M**	**$52.6 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$541.5 M**
	TOTEX (Option 1)	**$108.7 M**	**$96.5 M**	**$36.8 M**	**$38.5 M**	**$41.3 M**	**$39.5 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$35.0 M**	**$676.3 M**
Option 2	Solution Delivery	$35.0 M	$35.2 M	$16.6 M	$26.0 M	-	-	-	-	-	-	-	-	-	-	-	$112.7 M
	Integration Management Office	$13.9 M	$5.8 M	$4.6 M	$9.2 M	-	-	-	-	-	-	-	-	-	-	-	$33.5 M
	Infrastructure Delivery	$26.0 M	$2.9 M	$1.8 M	$3.5 M	$6.3 M	$4.5 M	-	-	-	-	-	-	-	-	-	$45.0 M
	Total CAPEX	**$74.8 M**	**$43.9 M**	**$22.9 M**	**$38.8 M**	**$6.3 M**	**$4.5 M**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$191.3 M**
	TSA (excl. IT support)	$25.8 M	$36.4 M	-	-	-	-	-	-	-	-	-	-	-	-	-	$62.1M
	Application Licencing & Product Support	$0.8 M	$1.5 M	$10.9 M	$10.9 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$6.6 M	$96.2 M
	Infrastructure, Security & Connectivity	$2.7 M	$5.4 M	$5.4 M	$5.4 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$3.3 M	$54.8 M
	IT support	$4.6 M	$9.3 M	$18.8 M	$18.8 M	$16.5 M	$15.4 M	$14.3 M	$14.3 M	$14.3 M	$14.3 M	$14.3 M	$14.3 M	$14.3 M	$14.3 M	$14.3 M	$212.1M
	Total OPEX	**$33.9 M**	**$52.6 M**	**$35.1 M**	**$35.1 M**	**$26.3 M**	**$25.2 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$425.2 M**
	TOTEX (Option 2)	**$108.7 M**	**$96.5 M**	**$58.1 M**	**$73.9 M**	**$32.7 M**	**$29.8 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$24.1 M**	**$616.5 M**

Table 3.4: AGN SA NPV Calculation - Option 1 v Option 2 over 15 years

AGN SA NPV Calculation Option 1 v Option 2 - Real Costs and Real Benefits ($Dec 2025) (Discount Factor 4.08% Pre Tax Real WACC)																	
Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Calendar year	15-Year Total	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034	2034/2035	2035/2036	2036/2037	2037/2038	2038/2039	2039/2040
Option 1																	
Capex	15-Year Total																
Total Capex Costs	$ 47,530,734	$ 26,361,343	$ 15,472,478	$ 628,153	$ 1,247,496	$ 2,224,010	$ 1,597,253	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Discounted Capex	$ 44,306,243	$ 25,327,093	$ 14,282,213	$ 557,082	$ 1,062,944	$ 1,820,648	$ 1,256,263	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Opex	15-Year Total																
Total Opex Costs	$ 190,810,154	$ 11,941,673	$ 18,522,285	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323
Discounted Opex	$ 141,674,551	$ 11,473,158	$ 17,097,405	$ 10,938,777	$ 10,509,609	$ 10,097,280	$ 9,701,127	$ 9,320,517	$ 8,954,840	$ 8,603,509	$ 8,265,963	$ 7,941,660	$ 7,630,080	$ 7,330,725	$ 7,043,114	$ 6,766,787
NPV (Benefits - Costs)	15-Year Total																
Total Costs	$ 238,340,888	$ 38,303,016	$ 33,994,763	$ 12,962,476	$ 13,581,819	$ 14,558,333	$ 13,931,576	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323	$ 12,334,323
Benefits - Costs	-$ 238,340,888	-$ 38,303,016	-$ 33,994,763	-$ 12,962,476	-$ 13,581,819	-$ 14,558,333	-$ 13,931,576	-$ 12,334,323	-$ 12,334,323	-$ 12,334,323	-$ 12,334,323	-$ 12,334,323	-$ 12,334,323	-$ 12,334,323	-$ 12,334,323	-$ 12,334,323
Discounted Benefits - Costs	-$ 185,980,793	-$ 36,800,251	-$ 31,379,618	-$ 11,495,858	-$ 11,572,553	-$ 11,917,927	-$ 10,957,390	-$ 9,320,517	-$ 8,954,840	-$ 8,603,509	-$ 8,265,963	-$ 7,941,660	-$ 7,630,080	-$ 7,330,725	-$ 7,043,114	-$ 6,766,787
NPV ($Dec 2025)	-$ 185,980,793																
Option 2																	
Capex	15-Year Total																
Total Capex Costs	$ 67,401,857	$ 26,361,343	$ 15,472,478	$ 8,085,139	$ 13,661,633	$ 2,224,010	$ 1,597,253	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Discounted Capex	$ 61,497,136	$ 25,327,093	$ 14,282,213	$ 7,170,360	$ 11,640,560	$ 1,820,648	$ 1,256,263	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Opex	15-Year Total																
Total Opex Costs	$ 149,851,371	$ 11,941,673	$ 18,522,285	$ 12,378,725	$ 12,378,725	$ 9,284,823	$ 8,889,923	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024
Discounted Opex	$ 114,179,317	$ 11,473,158	$ 17,097,405	$ 10,978,155	$ 10,547,443	$ 7,600,859	$ 6,992,056	$ 6,419,324	$ 6,167,471	$ 5,925,499	$ 5,693,021	$ 5,469,663	$ 5,255,069	$ 5,048,893	$ 4,850,807	$ 4,660,493
NPV (Benefits - Costs)	15-Year Total																
Total Costs	$ 217,253,227	$ 38,303,016	$ 33,994,763	$ 20,463,865	$ 26,040,358	$ 11,508,833	$ 10,487,176	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024	$ 8,495,024
Total Benefits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Benefits - Costs	-$ 217,253,227	-$ 38,303,016	-$ 33,994,763	-$ 20,463,865	-$ 26,040,358	-$ 11,508,833	-$ 10,487,176	-$ 8,495,024	-$ 8,495,024	-$ 8,495,024	-$ 8,495,024	-$ 8,495,024	-$ 8,495,024	-$ 8,495,024	-$ 8,495,024	-$ 8,495,024
Discounted Benefits - Costs	-$ 175,676,453	-$ 36,800,251	-$ 31,379,618	-$ 18,148,515	-$ 22,188,003	-$ 9,421,507	-$ 8,248,319	-$ 6,419,324	-$ 6,167,471	-$ 5,925,499	-$ 5,693,021	-$ 5,469,663	-$ 5,255,069	-$ 5,048,893	-$ 4,850,807	-$ 4,660,493
NPV ($Dec 2025)	-$ 175,676,453																
Discounted 15 year benefit of Option 2	$10,304,340	-	-	($6,652,657)	($10,615,449)	$2,496,420	$2,709,071	$2,901,193	$2,787,369	$2,678,010	$2,572,942	$2,471,997	$2,375,011	$2,281,831	$2,192,307	$2,106,295

Our analysis, consistent with our Final Plan modelling, shows there is an additional ongoing operational cost of $10.9 million per annum (~$3.8 million per annum allocated to AGN SA) to keep running the two disparate sets of systems in perpetuity (i.e. the Day 2 pillar in Figure 3.2 above). Therefore, the earlier we can merge systems (i.e. the Day 3 pillar in Figure 3.2 above), the earlier the reduction in ongoing operating costs can be realised and passed on to AGN's customers.

With our updated project estimates and timing, the ongoing operating costs of Option 2 are lower than for Option 1 from 2029/30. Over the 5-year regulatory period, Option 2 costs $38 million more than Option 1 (which is lower than the $34 million in our Final Plan modelling) and over a 10-year period, Option 2 still presents a $5 million lower total cost compared to Option 1 (consistent with our Final Plan modelling).

We submit that our revised cost estimates have been arrived at on a reasonable basis and represent a robust forecast of the transition costs based on the information available at this stage of the program. Actual costs will inevitably vary from forecast, however our project management control, as well as the mechanisms in the regulatory framework, will help promote efficient investment.

An important point is that the opportunity to find additional benefits is only available if we have sufficient funding to undertake the merge activities. If we do not have sufficient funding, we will be unable to achieve cost efficiencies and reduce risks even where they are identified through the detailed planning and execution phases of the program.

We expect the majority of the tangible benefits associated with the IT transition will occur in the merge phase of the program. We have considered those benefits in our scoping of applications that form part of this component of the transition and acknowledge that we will need to confirm our assumptions when we have completed the detailed planning for the merge phase. Nevertheless, our expected benefits based on our best estimate at this point in time have been netted off against the overall cost of the transition.

As the AER would expect, where we consider a net benefit for AGN is unlikely to arise when merging specific systems, we have not looked to merge those applications as part of the AGN IT transition program. This means AGN customers will not bear the costs, and we will not seek to recover the forecast costs for these activities. [17]

It is also important to consider that the benefits of merge are likely to be wider than quantifiable IT costs (although that is what is calculated when comparing Options 1 and 2 in our modelling). These systems support core business functions. The more they can be streamlined and standardised across entities, the more opportunity there is for us to improve processes and productivity, and for AGN customers to benefit from the broader economies of scale and scope.

The benefits arising from the merge are expected to start being achieved in the penultimate year of the next AA period, and will be included in the base operating expenditure for the subsequent AA period. However, by taking control of our IT systems, the opportunity to continue to merge and rationalise systems and processes endures for the following decade and more.

Put simply, we are not constraining our thinking to a single AA period. Lifting, shifting and merging the IT systems in the next AA period gives us the control and therefore the opportunity to find ongoing benefits in our IT solutions over the following two or three AA periods.

[17] Should there be benefit to other AGIG entities from the merging of IT assets with AGN assets, we would execute this as a separate project and would allocate costs accordingly, in line with the cost allocation method. For example, should we consider MGN would benefit from a field worker mobility application, MGN may decide to adopt Salesforce Lightening (currently used by AGN). The project costs associated with this adoption would be incurred as part of a different IT project and allocated to MGN (not AGN).

Given the long-term, strategic nature of our decision to bring network operations and associated IT systems under direct AGN control, we have estimated the potential benefits over the next 15 years (noting that the APA outsourced arrangement has been in place for almost 20 years).

The following table shows the results of our net present value (NPV) assessment for the two options (AGN SA cost) over 15 years. The assessment shows that Option 2 delivers more than $10 million in cost savings, with greater benefits arising from the merge.

Table 3.4 a: NPV assessment for AGN SA over 15 years- $'000, $Dec 2025

Option	Capex	Opex	Totex	15-yr NPV
Option 1 – Lift and Shift	47,531	190,810	238,341	(185,981)
Option 2 – Lift, Shift and Merge	67,402	149,851	217,253	(175,676)

Please see Table 3.4 above which breaks down the NPV analysis by year and compares the Options 1 and 2.

3.2.1.2 Management of risk

Having two standalone IT environments, means we are exposed to greater risk (e.g. cyber security, third party vendor, input cost pressures). The sooner we merge IT assets, the sooner we can reduce risk.

A summary of the risks associated with maintaining two disparate sets of IT assets in perpetuity after completion of the lift and shift phase is shown in

Table 3..5

Table 3.5: Summary of risks of maintaining two disparate sets of systems

Category	Risk	Description
Operational	Increased complexity	Duplicate processes, tools, and governance across environments make day-to-day operations harder to coordinate and standardise
Operational	Higher error rates	Teams must understand and maintain two sets of systems, raising the likelihood of misconfigurations, missed steps, and operational mistakes
Operational	Slower incident response	Monitoring, root-cause analysis, and triage across disparate tooling and logs prolong detection and resolution times
ecurity	Inconsistent security posture	Divergent patching cycles, policies, and controls lead to uneven protection and gaps in standards (e.g., encryption, hardening)
Security	Larger cyber security vulnerability	More assets and integration points increase exposure to vulnerabilities and misconfigurations
Security	Identity and access issues	Multiple directories and entitlements create orphaned accounts, privilege drift, and weak federation/integration
Financial	Higher ongoing costs	Duplicated infrastructure, licensing, support contracts, and vendor management inflate total cost of ownership
Financial	Inefficient use of resources	Redundant computing, storage, and network capacity sit underused; optimisation efforts are split and less effective
Financial	Forgone opportunities for cost savings	Benefits from consolidation (economies of scale, simplified ops) are never realised
Strategic	Reduced agility	Cloud adoption, upgrades, and transformation initiatives are slowed by fragmentation and incompatible baselines
Strategic	Vendor lock-in	Legacy stacks endure because consolidation never occurs, prolonging dependence on dated technology
Strategic	Integration barriers	Cross-organisational business processes suffer due to poor data flow, schema mismatches, and inconsistent reporting/analytics

Category	Risk	Description
Compliance & Regulatory	Audit complexity	Two sets of policies, controls, evidence, and logs complicate audits and increase the burden on compliance teams
Compliance & Regulatory	Data residency/privacy risks	Different handling standards and locations heighten the risk of non-compliance (e.g., retention, consent, lawful basis)
People & Process	Skill dilution	Staff spread across two stacks have shallower expertise; onboarding and upskilling take longer and cost more
People & Process	Change fatigue & morale issues	Persistent fragmentation frustrates teams, reduces productivity, and increases burnout/attrition

The merge activities are about consolidating the AGN systems into a consistent and standardised set of systems with MGN and DBP (so much as practical) to not only reduce the cost, but also the risk of operating those systems for AGN. Under Option 1, there would be no proactive measures to address these risks. We would need to manage these risks across a larger IT footprint and for a longer timeframe than under Option 2.

We maintain that implementing our preferred option of lift, shift and merge (Option 2) and delivering a proactive merge during the next AA period will ensure customers benefit as soon as practicable from the reduced cost and risk following merge.

3.3 Project costs

The AER considers the Final Plan project cost estimates to be high, stating it requires further project-specific analysis to support:

- the contingency risk allowance of 25%;
- what it considers higher than current available market labour rates; and
- and the number of effort days required for a data or application transfer.

These are discussed in the following sections.

3.3.1 Contingency risk allowance

The AER has highlighted it only accepts risk allowances in limited circumstances that are specific to a particular project or program. The following section sets out:

- the specific risks associated with the IT Transition project that informed the 25% contingency applied in the Final Plan;
- the issues that have eventuated (and have seen the cost and effort to deliver the Lift and Shift component increase); and
- the specific risks remaining that have the potential to impact project delivery and cost across the various aspects of the project.

Given the progress of the IT Transition to date, we have reviewed the specific risks that are reasonably likely to arise that are beyond our control, and have adjusted our contingency estimates accordingly. We have applied a lower contingency of 10% and 15% to our revised estimates of the Lift and Shift activities, equating to $15 million. We also cross checked this with a bottom-up analysis of the likelihood and cost impact of each specific risk, which equates to $12 million (or 10%). We have applied 0% contingency to our infrastructure currency and refresh estimates. We maintain the 25% contingency applied to the estimates of the Merge activities.

3.3.1.1 Project specific risks that informed the original contingency estimate

The following sets out specific risks associated with the IT Transition project, which informed the original 25% project contingency assumption.

At the time of developing the Final Plan forecast we did not have access to APA's application environment, data or detailed information on transition patterns. This limited our ability to identify and assess the full suite of risks associated with the transition, and to develop suitable controls or mitigation activities. In the absence of more mature information, we therefore considered it prudent to apply a 25% general contingency assumption. For transparency, we also chose to call contingency out as a line item rather than build it into the base forecast.

Table 3.6.6 below describes the specific risks related to the IT Transition project, ranked by their risk rating. Our Risk Framework for IT Projects can be referenced at Appendix C.

Table 3.6: Summary of project specific risks for the IT Transition program

Risk	Description of risk	Likelihood	Impact	Rating
Scope of applications	There is a risk that once we get full transparency to the APA environment utilised for AGN operations, in particular shared applications, that there are a greater number of applications required to be migrated	Likely (4)	Major (4)	High (16)
Duration	There are a number of factors that could prolong project duration including resourcing and impacts of other risks identified below	Possible (3)	Major (4)	High (12)
Rates	There is a risk we are not able to set up sufficient security protocols to satisfy our FIRB conditions and will not be able to utilise lower cost offshore resources for some, or all, of the activities currently assumed to be able to be performed offshore	Possible (3)	Major (4)	High (12)
Application transition approach	There is a risk that the proportion of applications dedicated to AGN operations is lower than forecast, with shared applications requiring additional effort for data cleanse when separating from the source	Possible (3)	Major (4)	High (12)
Performance degradation	Plan includes build of significant new infrastructure (services, databases, connectivity) and expected performance issues - however, we will be unable to replicate existing environment exactly due to availability or supportability of hardware, therefore potential risk of new performance issues requiring vendor support, new hardware, complex firewall and networking rules OR additional test cycles/remediation	Possible (3)	Major (4)	High (12)
Operational technology scope	There is a risk some additional hardware or effort will be required if existing OT can't be simply reused	Possible (3)	Moderate (3)	Intermediate (9)

Risk	Description of risk	Likelihood	Impact	Rating
Resourcing	There is a risk that additional resourcing and/or higher skilled resources compared to that forecast are required due to any increases in complexity arising from other identified risks	Possible (3)	Moderate (3)	Intermediate (9)
End of Life software upgrades	Current planning requires limited additional work apart from taking the existing software as is ("lift" and shift"). Given the large footprint of applications and time until transition there is a risk we will need to upgrade some software to facilitate the installation and transfer of data into the newly built environment due to vendors removing support for existing applications or incompatibility with available newer hardware prior to completion.	Possible (3)	Moderate (3)	Intermediate (9)
Software defects/bugs	Plan predicated on software performing in an expected and predictable manner, with expected number of defects accounted for in test plans. However, given number of applications and length of program, new defects/bugs may arise during the program that are not present today in current environment (through new releases/patches rolled out between start and end of transition).	Possible (3)	Moderate (3)	Intermediate (9)
Regulatory non-compliance	Plan predicated upon Lift and Shift of current environment. In discovery we will validate that current environment meets current FIRB/SOCI requirements. Risk that some remediation required or that new regulations are introduced during the program that requires a combination of investigation, remediation or new solutioning.	Possible (3)	Moderate (3)	Intermediate (9)
Security vulnerabilities	Plan predicated upon current level of security threats and vulnerabilities. There is a risk that the number and sophistication of security threats will increase leading up to and during the program, requiring additional security solutioning or updated versions of software/hardware.	Possible (3)	Moderate (3)	Intermediate (9)
Rates	There is a risk that external market drivers cause increased market competition in Australia or globally for similar skilled resources to those we require in the project	Unlikely (2)	Major (4)	Intermediate (8)

Risk	Description of risk	Likelihood	Impact	Rating
Application transition approach	There is a risk that the assumed transition approach for applications is not feasible, and a greater number of applications will require the more resource heavy Lift and Shift approach (versus extract data and repoint)	Unlikely (2)	Major (4)	Intermediate (8)
Data migration	Problem with data migrations and certainty that there will not be loss of data or operational issues at go live requires additional data migration cycles beyond those currently planned.	Unlikely (2)	Major (4)	Intermediate (8)
Illness/Pandemic	Project is requiring large project team (>100) in close proximity. A similar COVID pandemic experience would have significant impact on team and delivery.	Unlikely (2)	Major (4)	Intermediate (8)
Infrastructure delays	Potential for global supply chain issues (manufacturing issues, parts shortage, freight, customs etc) to delay delivery of equipment beyond the allowances we have already made, or to require us to change equipment supplier, or source from another location etc with potential to require redesign at additional cost or time	Unlikely (2)	Moderate (3)	Low (6)
Software delays	Plan has incorporated expected delivery timeframes from suppliers, but given high number of applications/suppliers, length of program and number of dependencies there is a risk that supplier mergers/acquisitions could delay supply of licensing, keys, environments etc impacting timelines and cost	Unlikely (2)	Minor (2)	Negligible (4)
Contractual dispute	Plan has incorporated expected contractual negotiation timeframes from suppliers, but given high number of applications/suppliers and length of program there is a risk of supplier contractual delay caused by mergers/acquisitions.	Unlikely (2)	Minor (2)	Negligible (4)

3.3.1.2 Project risks that have materialised to date and their impact

The IT Transition project is now underway and we have updated forecasts for the Lift and Shift based on planning undertaken to date. Since the forecast in our Final Plan, several of the specific risks identified in Table 3.6 above have materialised as issues.

For example, project scope elaboration since the Final Plan has identified that the number of applications that must be transitioned has increased from 51 to 83. This was not known at the time of developing the original forecast and has materially impacted the transition scope and duration.

Table3.7 below summarise the project risks that have eventuated to date and how our current planning assumption has changed from what we estimated in our Final Plan.

Table 3.7: Summary of project issues (project risks that have eventuated) to date

Risk / issue	Final Plan estimate	Current planning assumption	Comment
Scope of applications	51	83	60% increase in the number of applications utilised for AGN operations and required to be transitioned as part of the project
Duration	6 months Day 0 – Day 1 12 months Day 1 – Day 2	~3 months Day 0 – Day 1 18 months Day 1 – Day 2	17% increase in total duration Day 0 to Day 2
Rates (ratio onshore to offshore)	Approx 50:50 ration onshore to offshore	>95% onshore	Reduce risk of FIRB non-compliance Reduce complexity of data masking across >80 applications
Scope of locations	Assumed current AGN depot footprint only, utilising existing infrastructure	Two new AGN depot locations required (Alice Springs, Albury) which were collocated with APA Transmission	New infrastructure required for two new locations
Application transition approach	32 Lift and Shift (62%) 12 Extract Data (24%) 7 Repoint (14%)	59 Clone/Redeploy (71%) 13 Data extract (16%) 11 Novate/repoint (13%)	Clone/redeploy require highest effort - significant increase in number of applications requiring this pattern
Application transition approach	34 Dedicated applications (67%) 17 Shared applications (33%)	30 Dedicated applications (36%) 53 Shared applications (64%)	Significantly more shared applications than original estimate, requiring additional data cleanse and make good work to separate from source
Operational technology scope	No OT infrastructure included, assumed reuse of existing	$4m of additional hardware required	Hardware required to set up the "Bubble" and enable transition from existing environment
Resourcing	<5% architecture resourcing across program	>15% architecture resourcing required across program	Significant increase in architectural resources required which sees an increase in the weighted average labour rates

The emergence of these issues has shown our forecast of general contingency of 25% across the entire project (lift, shift and merge) would have been inadequate, with our revised forecast for Lift and Shift activities alone increasing by $28 million or 26% compared to our Final Plan forecast.

Taking this into consideration, we have revised our contingency risk allowance.

3.3.1.3 Revised contingency risk allowance

Commensurate with the additional detail that has gone into our planning and estimates, we have now applied more granular assessment of contingency to the Lift and Shift activities. Rather than assume a general 25% contingency, we have looked at the risk associated with each Lift and Shift activity and allocated an individual contingency amount.

We have reduced the contingency associated with the Integration Management Office, Infrastructure Delivery, and Lift and Shift – Integrate activities to 15%. We have then applied only a 10% contingency to the Lift and Shift – Separate activities.

This results in an average contingency of 12.7% across the lift and shift phase, or $15.1 million.

We have maintained 25% contingency for the merge activities because we do not have additional detail in our planning and estimates to apply a more granular assessment of contingency to the merge activities.

We have removed the contingency applied to Infrastructure Currency and Refresh, as fewer project risks apply to these activities. The contingency applied across our revised estimates are summarised in Table 3.8 below.

We have also developed a bottom-up estimate of contingency for the Lift and Shift activities based on the likelihood and potential impact of the remaining project specific risks. This analysis results in a contingency value of $12.0 million or 10%. This is summarised in the Table 3.9.

Table 3.8: Contingency applied across revised estimates

Scope AGN	Contingency % applied	Total AGN Contingency $m	AGN SA Contingency $m – 35.24% allocation	Reasons
AGN engaged vendors (forecast $50.6m)	15.0%	6.6	2.3	1 RFP estimates have been created without completing discovery or design 2 The effort days across the 5 RFP responses varied considerably, with chosen SI quoting 35% less than the average of the 5 responses 11,213 days vs 15,235 days – when we normalised for scope differences in effort estimates the variation was around 15%
AGN resources ($12.7m)	15.0%	1.7	0.6	Related to Vendor estimates - if time/effort increases, so will our related resources
APA + APA engaged vendors (forecast $55.6m)	10.0%	5.1	1.8	APA and its vendor have been working on the separation plan for longer than we have and have better (and direct) access to system knowledge, and therefore have a better defined scope of the separate activities comparatively warranting a lower contingency %, although not 0% contingency, as like us, they are yet to do detailed design of the separate activities.
Average contingency Lift and Shift	12.7%	15.1	5.3	
Merge (forecast $56.4m)	25.0%	11.3	4.0	We do not have additional detail in our planning and estimates to apply a more granular assessment of contingency to the merge activities.
Infrastructure currency and refresh ($16.9m)	0.0%	-	-	We consider the infrastructure refresh and currency items are a relatively well known and low risk aspect of the IT transition program and therefore have now applied zero contingency to these revised estimates.
Average contingency IT Transition project	**13.7%**	**26.4**	**9.3**	

Table 3.9: Summary of bottom-up contingency analysis for remaining project specific risks identified

Risk	Description of risk	Likelihood	Consequence	Total AGN Consequence Value $m	Total AGN Contingency calculation (Capex)	AGN SA Contingency (Capex) - 35.24% allocation
Data migration	Data is lost or altered during data migration that would cause operational issues at go live – requiring additional data migration cycles beyond those currently planned to resolve	Possible 50% (across 83 applications and 4 Waves)	2 cycles = approx. 4 weeks delay. Average burn rate = $4.6/mth for program	4.6	2.3	0.8
End of Life Software Upgrades	We will need to upgrade software to facilitate the installation and transfer of data into the new environment due to vendors removing support for existing applications or new compatibility requirements that arise between now and Lift and Shift completion, rather than Lift and Shift as is.	Possible 50% (across 83 applications and 4 Waves)	Medium complexity software = approx 4 weeks delay for program	4.6	2.3	0.8
Infrastructure delays	Global supply chain issues in manufacturing, availability of inputs, freight timeframes/costs, customs processes delay delivery of equipment beyond the allowances we have already made, or require us to change equipment supplier, or source from another location at additional cost or time.	Unlikely 20% (across remaining infrastructure spend)	Additional cost of up to 10% for alternate vendors	1.3	0.7	0.2
Software delays	Mergers and acquisitions are relatively frequent for software companies. A new merger or acquisition occurring during the Lift and Shift delivery delays supply of licensing, keys or environments for one or more of the 83 applications to be transitioned.	Possible 50% (across 83 applications and 4 Waves)	2 week delay by vendor	2.3	1.2	0.4

Risk	Description of risk	Likelihood	Consequence	Total AGN Consequence Value $m	Total AGN Contingency calculation (Capex)	AGN SA Contingency (Capex) - 35.24% allocation
Software defects/bugs	We will need to upgrade or remediate software for defects/bugs that arise during the Lift and Shift (i.e. where the vendor has issued a new release or patch) or that are uncovered when redeploying software to the new environment (where we need vendor support to identify and remediate the defect/bug) so that the software performs in an expected and acceptable manner when we go live.	Unlikely 20%	Results in 2 week delay per application ($60k/mth burn rate per application)	2.5	0.5	0.2
Performance degradation	We need additional vendor support, replacement or additional hardware, to vary or have more complex firewall and networking rules or additional test cycles/remediation to deal with performance issues with applications in the new environment. Plan includes build of significant new infrastructure (services, databases, connectivity) which will not be unable to replicate existing environment exactly due to availability or supportability of identical hardware.	Possible 50%	4 week delay for program	4.6	2.3	0.8
Regulatory non-compliance	Risk that new regulation is introduced during program that requires remediation OR new solutioning to resolve. Plan predicated upon Lift and shift of current environment and discovery activities have validated that current environment meets current FIRB/SOCI etc requirements.	Unlikely 20%	Medium complexity software = approx 4 weeks delay for program	4.6	0.9	0.3
Security vulnerabilities	An increase in the sophistication of security threats during the Lift and Shift requires additional security solutioning or updated versions of software/hardware before go live.	Unlikely 20%	4 week delay for program	4.6	0.9	0.3
Illness/Pandemic	A pandemic event causes widespread sickness or places restrictions on the way we can work.	Unlikely 20%	2 week delay for program	2.3	0.5	0.2

Risk	Description of risk	Likelihood	Consequence	Total AGN Consequence Value $m	Total AGN Contingency calculation (Capex)	AGN SA Contingency (Capex) - 35.24% allocation
Contractual dispute	Mergers and acquisitions are relatively frequent for software companies. A new merger or acquisition occurring during the Lift and Shift delivery causes a contractual dispute or delay in agreement and execution.	Unlikely 20%	2 week delay for program	2.3	0.5	0.2
				33.7	**12.0 (10%)**	**4.3**

3.3.1.4 IT projects of this scale are subject to high risk and variability

Calculating contingency amounts for major IT projects is extremely challenging, and while we have arrived at a reasonable forecast based on the best information available in the circumstances, any contingency estimate will almost be inaccurate. However, it is almost certain that *some* contingency will be required. Whether that contingency is built into the cost estimate or is called out as a more transparent line item in the forecast (as AGN has done), it is prudent to include a cost allowance for unforeseen or unavoidable risks.

It is worth noting that academic studies support the view that cost risk for IT projects is higher than for other types of projects. In a study led by renowned project management expert and scholar Bent Flyvbjerg; *The Uniqueness of IT Cost Risk: A Cross-Group Comparison of 23 Project Types*[18], data shows that the cost risk for IT projects is found to be uniquely more risky than for the other 22 project types examined (including energy infrastructure, buildings, transport infrastructure, dams, aerospace and major events).

The study found that only IT projects exhibited a Pareto distribution with a tail parameter $\alpha<1$, meaning both the mean and variance of cost overruns are infinite; a statistical indication of extreme and unbounded risk. Explanations for this unbounded risk associated with IT projects include immaturity, intangibility, goal ambiguity and stakeholder resistance.

In summary, the academic study found the problem is not that IT projects go over-budget on average, but rather that when they do overrun, they can go massively over budget (the tail of the distribution is fat). Large scale IT projects are often subject to high risk and variability. They are particularly susceptible to changes in the market and availability of resources. Most third party IT vendors are international organisations, meaning their work relies on global talent pools and supply chains, which can be severely impacted by any tightening of costs, materials availability and immigration/travel policies. It is therefore not uncommon for project costs to increase substantially without corresponding increases in project scope or deliverables.

This should make a significant difference in how IT projects are forecast, the contingency that should be applied, the assessment, and the triggers for assuming inefficiency.

3.3.2 Labour rates

We have completed a competitive tendering process for the infrastructure and solution delivery components of the IT Transition work, which informs our updated external labour rates. Several tables are presented below that summarise:

- the rates assumed in the Final Plan;
- the APA rates which will apply during the transition period;
- AGIG's preferred supplier rates; and
- other rates from bidders received during the tender process.

For ease of comparison, in Table 3..10 we have also derived a weighted average labour rate for each vendor so that an assessment can be made of the rates we will pay during the IT transition.

This analysis should address the AER's observation that the rates quoted as part of the initial rates estimate in our Final Plan appear high. The rates we are paying have been informed by the market and reflect the actual roles we are seeking. We submit these rates have been arrived at using the best information available at the time and result in a reasonable forecast.

[18] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5247223

This estimating approach is consistent with the AER's findings in the AGN Victoria and Albury determination, which states:

> *We consider the scope of proposed One IT Strategy program, including the approach of using an independent expert to develop cost estimates, supported by market and vendor quotes, industry norms and historical costing to determine project cost, to be reasonable.*[19]

Our analysis also shows that the rates used in the original estimate are not the highest rates when assessing the four vendors side-by-side.

Table 3.10: Weighted average rates

Vendor	Onshore Weighted Average	Onshore Roles Ratio	Offshore Weighted Average
[redacted]	[redacted]	98%	[redacted]
[redacted]	[redacted]	100%	[redacted]
[redacted]	[redacted]	53%	[redacted]
[redacted]	[redacted]	100%	[redacted]

Table 3.11: Final Plan External IT Rates (KPMG Business Case Rates used in Final Plan forecast for external services)

Role	Daily Rate (excluding GST)
IT Program Director	[redacted]
IT PMO Manager	[redacted]
Program Architect - Lead	[redacted]
Program Architect - Support	[redacted]
Program Architect - Support	[redacted]
Change Lead	[redacted]
Change Manager	[redacted]
Program Assurance Lead	[redacted]
Program Assurance Analyst	[redacted]
Program Assurance Analyst	[redacted]

[19] Ibid.

Role	Daily Rate (excluding GST)
GRC Lead	[redacted]
GRC Analyst	[redacted]
GRC Analyst	[redacted]
OEM	[redacted]

Table 3.12: Revised Final Plan Rates (APA Rates as charged by APA to AGN during the IT Transition period)

Role	Daily Rate (excluding GST)
Transition Lead	[redacted]
APA Program Manager	[redacted]
Security Lead	[redacted]
Applications Lead	[redacted]
Integration Lead	[redacted]
Change Manager 1	[redacted]
Change Manager 2	[redacted]
Operations Separation Lead	[redacted]
Project Coordinator	[redacted]
Project Coordinator2	[redacted]
Procurement Lead	[redacted]
Senior Risk Analyst	[redacted]
Program Co-ordinator	[redacted]
Technology Program Director	[redacted]

Table 3.13: Preferred Supplier Rates ([redacted] received through tender process post Final Plan)

Role	Daily Rate (excluding GST)
Program Management	[redacted]
Program Governance	[redacted]

Role	Daily Rate (excluding GST)
Lead Architect	[redacted]
Architecture SME	[redacted]
Architecture SME	[redacted]
Organisational Change Manager	[redacted]
Change Analyst	[redacted]
Lead SME	[redacted]
Program Governance SME	[redacted]
Program Governance SME	[redacted]
Lead SME	[redacted]
Analyst	[redacted]
Analyst	[redacted]
Executive Sponsor	[redacted]

Another way to compare the vendor rates is to look at the junior (lowest rate), mid-senior (median rate) and senior roles (highest rate) for each tenderer. As can be seen in Table 3.14 below, the rates received in the tender are compared side-by side:

Table 3.14: Tendered rates (received through tender process post Final Plan); lowest, median and highest rates

Role Category	[redacted] Daily Rate	[redacted] Daily Rate	Preferred Supplier ([redacted])	KPMG Rates (Final Plan)
Junior (lowest)	[redacted]	[redacted]	[redacted]	[redacted]
Mid-Senior (median)	[redacted]	[redacted]	[redacted]	[redacted]
Senior (highest)	[redacted]	[redacted]	[redacted]	[redacted]

As can be seen above, the rates used in the Final Plan were not the highest received in the lowest, median or highest role categories. The rates received in the IT Transition tender show that the rates used for the purposes of the original Final Plan forecast were reasonable.

Now that the rates have been revealed after the tender process, we can test the original forecast by applying the rates we are paying and effort we are expending on the transition now and conclude whether it is efficient.

3.3.3 Number of effort days

We have updated the number of effort days for the Lift and Shift component of the IT Transition in this Revised Final Plan to reflect more recent information now that the project is underway.

Our updated forecast includes:

- the effort of our Integration Management Office (IMO), which has been completely onboarded as at 1 December 2025;
- the system implementor and internal labour efforts of APA for the Lift and Shift – Separate component; and
- the system implementor efforts for our Lift and Shift – Integrate component.

Overall, our updated forecast shows the KPMG forecast number of effort days used in our Final Plan underestimated the effort days required for the Lift and Shift activities by around 27,000 days (33%) made up of +2,300 (12%) IMO effort, +20,700 (93%) for the Separate component of Solution Delivery and -4,500 (-23%) for the Integrate component of Solution Delivery.

Table 3.15: Comparison of number of effort days in our Final Plan and Revised Final Plan

Role	Final Plan[20]	Revised Final Plan	Comments
Integration Management Office	10,991	12,294	Our project team structure is now in place and all roles have been onboarded as at 1 December 2025.
Infrastructure Delivery	NA	NA	KPMG did not model professional services for Infrastructure Delivery based on effort days and daily rates, but rather included a number of fixed cost line items for each scope of professional services forecast to be required.
Solution Delivery (Lift and Shift) – Separate	22,323	43,067	APA and its System Implementation partner have provided us with updated forecast effort days and costs by application wave to complete the separate activities of the Lift and Shift.
Solution Delivery (Lift and Shift) – Integrate	19,781	15,201	We completed a competitive tender for the integrate activities of solution delivery, excluding People and Payroll, and selected our preferred System Implementation partner in late 2025. Our SI completed a discovery phase in December 2025 which so far confirms its tendered effort forecasts which we have used in our most recent forecast. Detailed designs for each application/wave are due later in 2026. We have a rough order of magnitude from our People and Payroll / Human Capital Management (HCM) partner, [redacted] as well as forecast internal IT and business resource efforts for the People and Payroll related Lift and Shift scope. These estimates are informed by our experience in our recent SuccessFactors implementation (completed November 2025).
Solution Delivery (Merge)	29,719	29,719	We have no new information on the level of effort required for the Merge activities.

[20] KPMG modelled effort days inclusive of contingency

Role	Final Plan[20]	Revised Final Plan	Comments
Total effort days	**82,814**	**100,281**	

The following table compares the number of effort days forecast in our Final Plan and Revised Final Plan, to the effort days across tenderers for the Solution Delivery (Lift and Shift) – Integrate activities. In this analysis we can see that the Final Plan forecast of the number of effort days required is within the range of the tender bids we received and what we now forecast will be required.

Table 3.16: Comparison of effort days

	Final Plan	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	Revised Final Plan
Number of effort days to complete Solution Delivery (Lift and Shift) – Integrate, excluding Payroll[21]	18,904	11,213	13,654	20,169	16,049	15,089	11,213

[21] Our competitive tender completed in late 2025 excluded the Payroll components of the Lift and Shift – Integrate Solution Delivery. As we had recently been out to tender and completed our SuccessFactors Payroll implementation (November 2025) with [redacted] we negotiated directly with [redacted] to implement the Payroll components of the Lift and Shift – Integrate Solution Delivery.

3.3.4 One-off opex

There is a one-off opex uplift in the next AA period associated with transition services provided by APA, and application licencing and production support, infrastructure, security and connectivity and IT support while the systems are being transitioned.

The transition services provided by APA commenced on 1 December 2025 and will run until the bulk of IT systems have successfully migrated across to AGN's IT environment under the Lift and Shift activities of the transition. The transition services are an essential cost of the transition in order to achieve orderly separation, financial and operational risk management and business continuity for AGN and its customers (so that AGN operations can continue as usual by maintaining support for the systems and applications APA has used to run those operations while we set up our own systems).

Throughout the migration of systems across to our IT environment and following each successful Lift and Shift, AGN will incur application licencing and production support, infrastructure, security and connectivity and IT support costs. At the end of Lift and Shift, AGN will be operating and managing its own systems (transition services from APA will no longer be required).

Following Lift and Shift, we have identified 27 AGN systems which we intend to merge into a consistent and standardised set of systems with MGN and DBP. Our focus is to only pursue harmonisation which delivers for AGN and its customers. The merge process will deliver lower overall ongoing application licencing and production support costs for AGN as we limit duplication in our IT environment.

To calculate the one-off opex uplift associated with the IT Transition in the next AA period, we have added the annual transition services costs and forecast annual costs for application licencing and production support, infrastructure, security and connectivity and IT support during and after the transition and subtracted the actual 2024/25 base year IT costs.

The transition services costs have been incurred since 1 December 2025 i.e. we are incurring in the 2025/26 regulatory year these operating costs for which we are not currently funded. We have also adjusted the timing for forecast application licencing and production support, infrastructure, security and connectivity and IT support opex under the IT Transition project, as that project started 1 December 2025, 19 months earlier than our Final Plan proposal start date of 1 July 2027. This sees a revised step change of $19.1 million (dollars of June 2026) compared to $18.6 million (dollars of June 2026) in our Final Plan.

By year four of the regulatory period, the synergies from the merge phase of the transition are realised. Our total forecast IT opex for the AGN systems is lower than that forecast to be paid to APA had it continued to provide the services. The reduced ongoing operating costs of the AGN systems post 'merge' then continue beyond the next AA period, saving AGN SA customers an estimated $0.5 million per annum compared to the APA contract.

Our calculations are shown in Table 3.17 below.

Table 3.17: Updated IT Transition one-off opex for AGN SA, $'000 June 2025

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total AA
Transitional services	9,087	12,814	-	-	-	-	12,814
Application licencing and production support	264	529	3,848	3,848	2,309	2,309	12,843
Infrastructure, security and connectivity	956	1,912	1,912	1,912	1,147	1,147	8,031
IT support	1,634	3,268	6,618	6,618	5,829	5,434	27,767
Total opex	**11,942**	**18,522**	**12,379**	**12,379**	**9,285**	**8,890**	**61,454**
Minus Opex baseline	3,043	7,728	8,141	8,541	8,961	9,402	42,773
***Equals* Opex step change**	**8,898**	**10,795**	**4,238**	**3,838**	**324**	**-512**	**18,682**

These costs are those attributable to AGN systems (and post-merge, AGN's proportion of the systems).

3.4 AGIG and company structure

In its Draft Decision, the AER has raised the need for additional clarity on how our company structure affects the costs associated with the transition, and the recovery of those costs from customers.

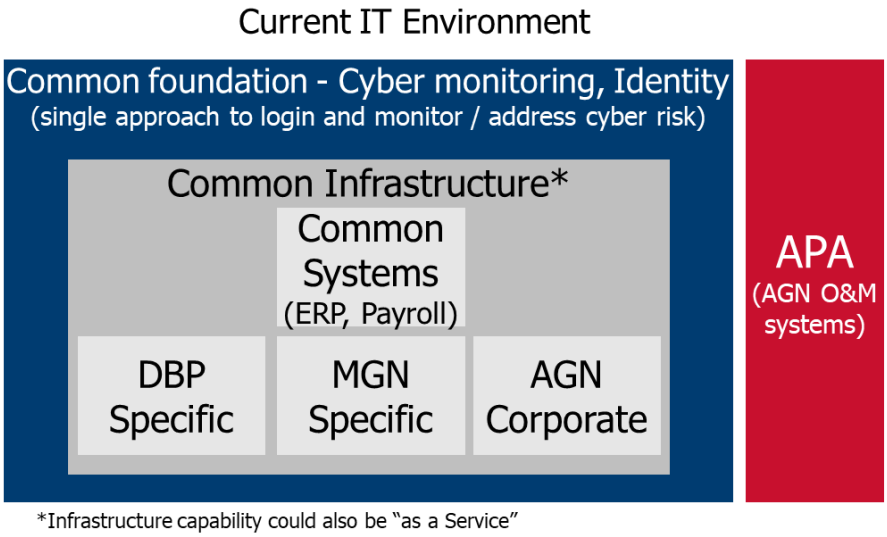
AGIG's IT environment is used to describe the collection of systems used to support the operations of DBP, MGN and AGN. It includes:

- Systems that are specifically used to support the operations of the DBP and MGN businesses, e.g., Billing Systems (CRS/TBS for DBP and SAP ISU for MGN), Asset Management Systems (Maximo for DBP and SAP EAM for MGN), Geographic Information Systems (Mipela for DBP and Smallworld for MGN)
- Systems that are specifically used to support the corporate functions of the AGN business e.g., Treasury Management (G-Treasury)
- Shared systems that are used by all entities to promote common processes and synergies in operations, e.g., financial management (SAP Enterprise Resource Planning)

APA's IT environment is used to describe the predominantly operational systems that APA has used to operate and manage the AGN networks on behalf of AGN.

The overall IT environment currently in place, including AGN operational systems within APA's IT environment, is represented in the Figure below.

Figure 3.5: Diagrammatic representation of the current IT environment across AGIG entities (AGN, MGN and DBP) and APA (for AGN O&M)



The MGN and DBP systems (as well as common systems noted above) operate on shared infrastructure (dark grey box) with common cyber security monitoring and protections (dark blue box). There is also a small footprint of applications sitting on the common infrastructure used to undertake corporate functions for AGN (e.g., Treasury management) that are independent of the AGN systems managed and operated by APA (red box).

The IT systems and infrastructure described above, and within the dark blue box, are commonly managed by a single IT team operating across all entities that comprise AGIG – collectively referred to as the AGIG IT Team.

This approach to sharing IT infrastructure and systems, where possible, and having separate systems specific to entities within the group is common for delivery of IT for a critical infrastructure owner. For example:

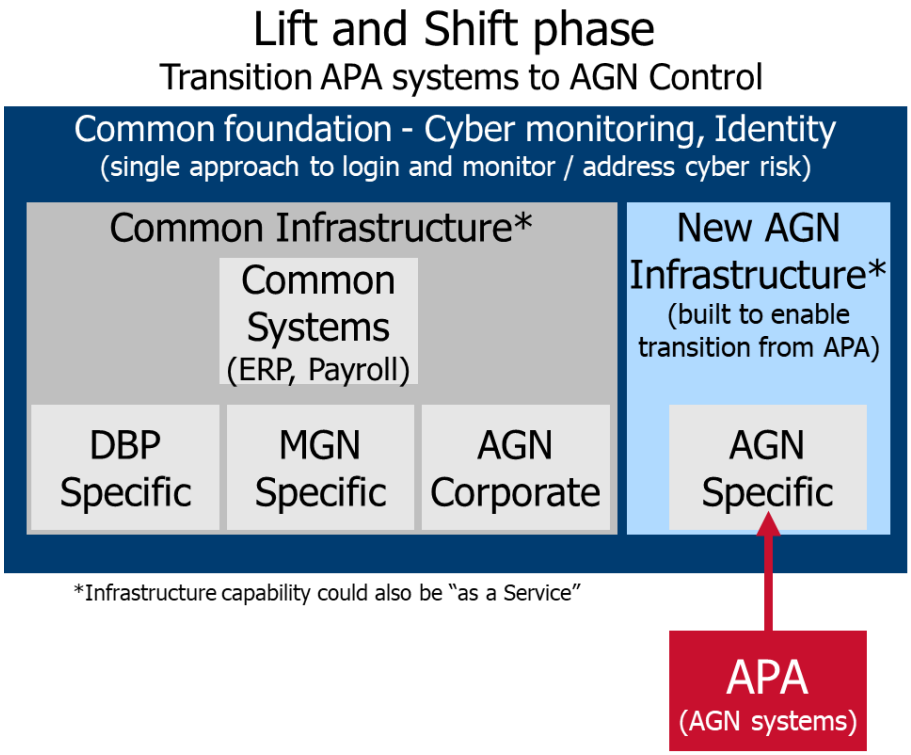
- Human capital management and payroll, financial management and cyber security represent processes that are common and can be supported by a single system across multiple entities, networks or types of infrastructure, and
- Sharing underlying IT infrastructure, such as data centres and virtual hardware, can also achieve economies of scale and reduce the system footprint, thereby lowering cost and risk.

As discussed above, the transition will remove the systems, applications and processes used to operate AGN's networks from APA's environment. We described this move as a Lift and Shift from APA to AGIG. However, we acknowledge this is somewhat confusing given the term AGIG is a business name used to describe a group of companies, not a company in and of itself.[22]

The Lift and Shift aspects of the IT transition program will separate AGN's IT solutions from APA to be standalone for AGN. The high-level IT environment during the Lift and Shift is represented in the figure below.

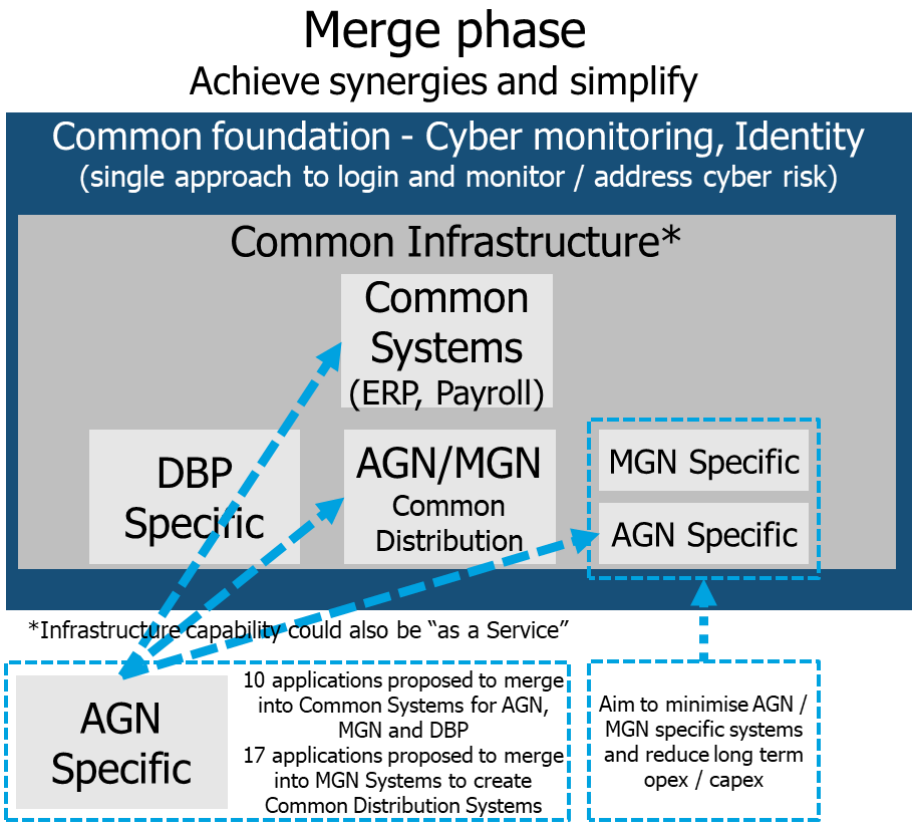
[22] 'AGIG is a business name used to describe collectively three main groups of companies (AGN, MGN and DBP). Each of these companies holds its own tangible and intangible assets comprising operational assets such as pipelines and IT assets. 'AGIG' does not own any tangible or intangible assets.

Figure 3.6: High-level diagram of the IT environment during the Lift and Shift phase



The merge aspect of the program will look to reduce risks, and deliver lower operating costs for AGN by merging 27 identified AGN applications into common solutions also used by other AGIG entities (e.g. DBP and/or MGN). The proposed lift, shift and merge program of work is necessary to maintain AGN's capacity to meet levels of demand for existing services (as opposed to future demand and/or capability uplift for AGN).

Figure 3.7: High-level diagram of the IT environment after the AGN Merge phase



To be clear, the IT transition program (lift, shift and merge) is an AGN-only program of work. Transition activities will benefit AGN customers only and on this basis we proposed and maintain that the cost of the transition will be allocated between AGN's networks based on customer numbers. This allocation is consistent with AGN's cost allocation methodology[23]. No transition costs will be allocated to the other AGIG entities (e.g. DBP and MGN). This results in AGN SA customers incurring 35.2% of the IT transition costs.

We will include MGN specific projects (i.e. additional to the 27 AGN applications identified as the AGN specific merge project) related to achieving the overall aim of minimising AGN and MGN specific systems in the upcoming MGN 2028/29-2032/33 AA submission.

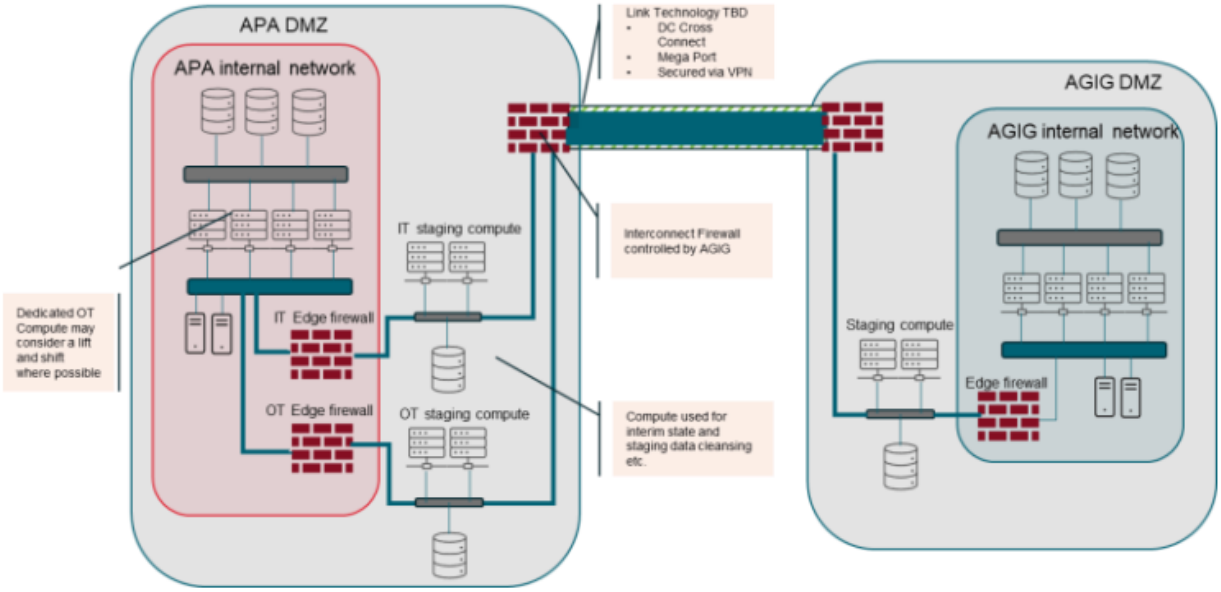
More information and clarification on the corporate structure and the allocation of our transition costs is provided in Attachment 9.17 of our Revised Final Plan.

[23] The cost allocation methodology remains unchanged from that used in our 2024 RIN reporting. More information on our cost allocation methodology is provided in Attachment 9.17 of our Revised Final Plan.

Appendix A Detailed plan for Lift and Shift

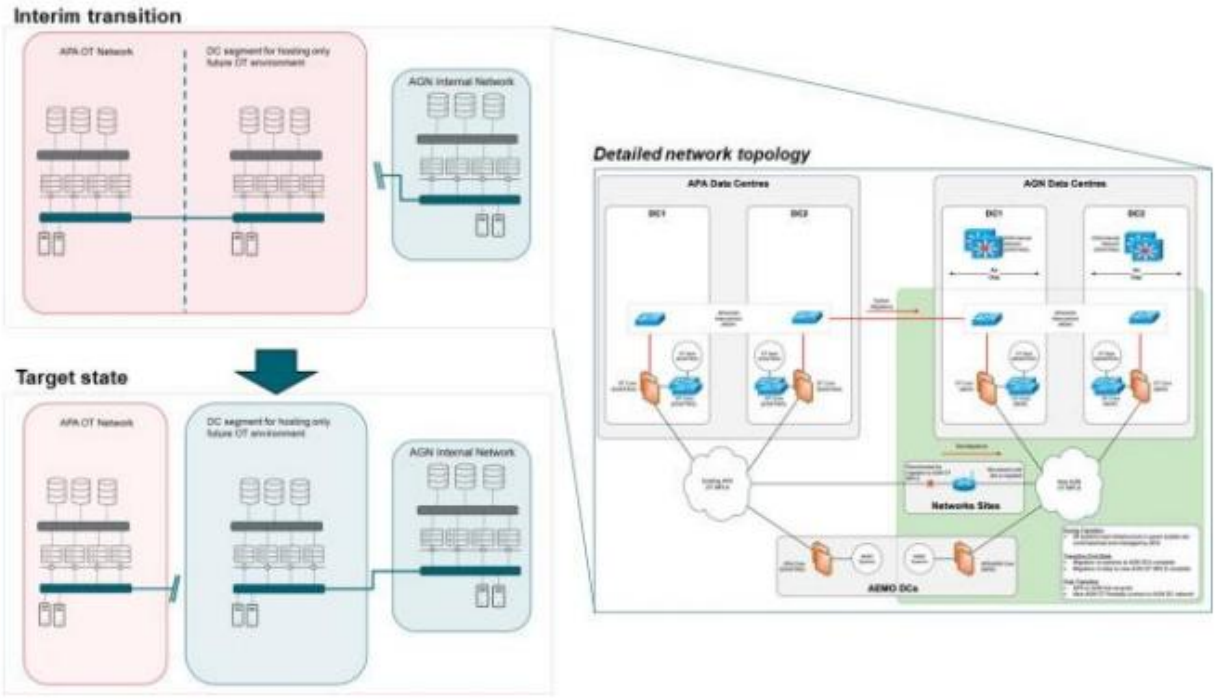
For IT systems, a Secure Airlock Landing Zone and DMZ allows for continued business operations while transitioning critical services and practices to our environment (see Figure 3.8 below). Key features of this approach are a secure zone with security control equivalent to internet facing services, it allows network communications and staging integrated systems before transmission to target environment as it provides the ability to maintain restricted two-way communications.

Figure 3.8: Diagrammatic representation of the Secure Airlock Landing Zone And DMZ (SALAD)



For OT systems, an isolated environment ('Bubble') will be established for the transition of the OT environment (see Figure 3.9 below). It enables a phased approach to transitioning OT assets rather than the risk associated with a big bang cutover required to be transitioned. Key features of this approach are it allows direct two-way communications to an isolated standalone environment controlled by APA, it can be used to build replica environments which will later be novated to us and APA will retain control of the environment for the duration of the build phase until novation to us.

Figure 3.9: Diagramatic representation of 'Bubble'



Our approach will see up to five transition patterns leverage to migrate systems and data. These transition patterns are re-deploy, data extract, novate, clone (rehost) and retire. We describe each of these in Table 3.18 below.

Table 3.18: Transition patterns to be leveraged

Pattern	Definition
Re-deploy	We stand up a new instance/subscription of application. Once new instance is ready, APA to transmit associated data, configurations and integrations (including compute, network and security configurations as required by the specific application). Data is then transitioned to the target environment to run.
Data extract	Application or component data is extracted from APA environment and provided to us to migrate into the target application in our environment.
Novate	For applications with existing dedicated hosting, legal ownership is transferred to from APA to us.
Clone (Rehost)	Lift and Shift application or component as-is with little modification by replicating existing application environment and associated data (including compute, network and security configurations as required by the specific application) within APA environment. This copy is then transitioned to our environment to run.
Retire	Where application will be redundant in our environment, application is retired; access to historical data is retained.

The systems and applications are grouped into waves as shown in below. Each of the waves will leverage a number of the transition patterns.

Figure 3.10: Summary of transition patterns by application, grouped by waves

WAVE 1

Application / System	S/D	Pattern	Complexity
BizTalk	S	Clone	L
Azure Integration Services	S	Clone	XL
UiPath	S	Redeploy	L
VersionDog - Code Management	S	Data Extract	S
Active Directory IT	S	Redeploy	L
SFTP	S	Redeploy	S
Microsoft Power Platform	S	Redeploy	XXL
End-User Compute	D	Novate	XXL
Microsoft OneDrive for Business	S	Data Extract	XL
Microsoft Exchange Online[2]	S	Data Extract	XL
SharePoint Online	S	Data Extract	XXL
ServiceNow	S	Data Extract	L
IT Sites and Offices** (18)	D	Novate	L
NOCC	S	Redeploy	XL
Securatrak[3]	S	*No Transition*	N/A

WAVE 2

Application / System	S/D	Pattern	Complexity
Migration of Non-Production			

KEY
- S/D = Shared or Dedicated
- XS= Extra Small, S= Small, M=Medium, L= Large, XL= Extra Large, XXL= Extra extra large

Clone (Rehost) | Data Extract | Redeploy | Novate* | Retire

** IT Sites: Benalla, Bundaberg, Currumbin Waters, Eagle Farm, Kidman Park, Mildura, Mt Gambier, Port Pirie, Rockhampton, Seaford, Shepparton, Somerville, Tamworth, Thomastown, Toowoomba, Wagga Wagga, Warragul, Yatala.

Note: Data extract includes business Networks data only and does not include configuration or any integration code.
* Novate: Additional discovery required to validate ability to novate applications
[1] Data extract subject to data privacy laws especially for Contractors (likely certifications only - depending on legal permissions to share PII data)
[2] Shared mailboxes – only where applicable
[3] AGIG required to stand up new instance. Some data from APA Securatrak instance may be required to transition to AGIG instance.

WAVE 3

Application / System	S/D	Pattern	Complexity
Workday ERP (Fin & Proc)	S	Redeploy	XXL
Workday PSC (HCM) (HR)	S	Redeploy	XL
Workday Strategic Sourcing	S	Redeploy	XL
Blackline Man Down	D	Redeploy	L
Blackline Finance	S	Redeploy	XL
CHRIS21	S	Data Extract	L
MyGeoTab	S	Redeploy	L
Cognos Finance	D	Redeploy	S
Birch	S	Data Extract[1]	S
OpenText	S	Data Extract	M
SkillPass	S	Data Extract[1]	S
Fleetwave	S	Data Extract	S

WAVE 4

Application / System	S/D	Pattern	Complexity
Maximo EAM (+ BIRT)	S	Redeploy	XXL
Salesforce Field Service	D	Novate*	M
SmartIQ	D	Novate*	S
Builders Portal (Connection Portal)	S	Redeploy	L
ArcGIS (AGOL)	D	Novate*	XL
Adjust IT	D	Clone	S
FME	S	Redeploy	L
Maximo HSE (OIM)	S	Redeploy	XL
MetroMap	D	Novate*	S
Networks GIS	D	Clone	L
Maximate	S	Data Extract	S
Expert Estimator	D	Redeploy	S
Autodesk Vault	S	Data Extract	M
Autodesk AutoCAD	S	Novate*	M
Before You Dig	S	Clone	L
GSS	D	Clone	L
Smallworld GIS	D	Clone	XXL
Smartsheet	D	Novate*	S
X-Info Connect	D	Redeploy	S
CYIENT	D	Novate*	S
Uptime	D	Redeploy	L
Nice CXOne	S	Redeploy	XL

WAVE 5

Application / System	S/D	Pattern	Complexity
Control-M	D	Clone	XL
Enterprise Analytics Platform	S	Redeploy	XL
Microsoft BI NASA	D	Redeploy	L
webMethods FRC Gateway	S	Redeploy	XL
Oracle CC&B	D	Clone	XL
Microsoft Power BI	S	Redeploy	S
TOHT	S	Data Extract	M
Historian – Operations	S	Redeploy	XL
Historian NIMDS	S	Clone	XL
BOM Weather	S	Redeploy	S

WAVE 6 (Bubble)

Application / System	S/D	Pattern	Complexity
GeoSCADA (Incl. RTUs)	D	Clone	XL
AutoSol	D	Clone	L
Acronis	S	Clone	S
Harvester – Metering Data	S	Redeploy	L
Synergi Gas	D	Redeploy	L
Kingfisher Toolbox	D	Redeploy	S
Poco+	D	Redeploy	S
AEGIS Connect	D	Redeploy	S
Mon2020	S	Redeploy	S
Isagraph	S	Redeploy	L
Prolink	S	Redeploy	L
Roclink	D	Redeploy	S
DataLoggerXP	D	Redeploy	S
ExOnline	S	Redeploy	L
Flowgate	S	Redeploy	S
External (AEMO generate it) Certificate	D	Redeploy	XL
Alarm PT	S	Redeploy	M
DameWare Remote Support	S	Redeploy	M
Active Directory OT	S	Redeploy	M
WAN – SCADA	D	Novate	XL
OT Sites	S/D	Novate	XXL

To ensure continuity and maintain the stability of AGN's operations, APA are providing transition services during the period of the transition. The transition services are an essential cost of the transition and to ensure an orderly separation, financial and operational risk management and business continuity for AGN and its customers (so that AGN operations can continue while we set up our own systems). The transition services will be provided by APA until the bulk of systems have successfully migrated across to our IT environment under the Lift and Shift activities of the transition.

Appendix B Scope of Merge activities

ID	Application Name (Day 2)	Application Name (Day 3)	Function	Destination
S.IT01	Workday	SAP S4/HANA	Finance & Procurement	Common Systems AGN, MGN and DBP
S.IT02	Oracle CC&B	SAP ISU	Customer & Market Services	Common AGN/MGN Distribution Systems
S.IT03	GE Smallworld + nfold Third party products	GE Smallworld (GDO) AGIG	Network Operations	Common AGN/MGN Distribution Systems
S.IT04	ClearSCADA	Mosaic	Network Operations	Common AGN/MGN Distribution Systems
S.IT05	PowerBI	DAV platform	Technology	Common Systems AGN, MGN and DBP
S.IT06	webMethods	SAP BTP	Technology	Common Systems AGN, MGN and DBP
S.IT07	Maximo + BIRT	SAP EAM	Network Operations	Common AGN/MGN Distribution Systems
S.IT08	MS Azure Integration Services	MS Azure Integration Service (for non-SAP)	Technology	Common Systems AGN, MGN and DBP
S.IT09	Blackline/ Workday Adaptive	SAP Analytics Cloud	Finance & Procurement	Common Systems AGN, MGN and DBP
S.IT10	Control M	SAP ISU / SAP BTP	Customer & Market Services	Common AGN/MGN Distribution Systems
S.IT11	CCB Batch	SAP ISU / SAP BTP	Customer & Market Services	Common AGN/MGN Distribution Systems
S.IT12	GSA Lite (Mobility)	MEW	Network Operations	Common AGN/MGN Distribution Systems
S.IT13	OSISoft PI (Historian)	OSISoft PI (Historian) AGIG	Network Operations	Common AGN/MGN Distribution Systems
S.IT14	Autodesk CAD	Autodesk CAD AGIG	Network Operations	Common AGN/MGN Distribution Systems
S.IT15	ArcGIS	ArcGIS	Network Operations	Common AGN/MGN Distribution Systems
S.IT16	X-Info Connect	X-Info Connect	Network Operations	Common AGN/MGN Distribution Systems
S.IT17	X-Info Maps	X-Info Connect	Network Operations	Common AGN/MGN Distribution Systems

ID	Application Name (Day 2)	Application Name (Day 3)	Function	Destination
S.IT18	Synergi Gas	Synergi Gas AGIG	Network Operations	Common AGN/MGN Distribution Systems
S.IT19	IBM Cognos/ Workday Adaptive	SAP Analytics Cloud	Technology	Common Systems AGN, MGN and DBP
S.IT20	SmartIQ	Salesforce Lightning	Network Operations	Common AGN/MGN Distribution Systems
S.IT21	UiPath	Salesforce Lightning	Network Operations	Common AGN/MGN Distribution Systems
S.IT22	NASA	DAV platform	Technology	Common Systems AGN, MGN and DBP
S.IT23	Databricks/ Enterprise Data Platform	DAV Platform	Technology	Common Systems AGN, MGN and DBP
S.IT24	Vault	InEight	Network Operations	Common AGN/MGN Distribution Systems
S.IT25	Nice CXOne	TBD (NiceCXOne replacement)	Technology	Common Systems AGN, MGN and DBP
S.IT26	Heating Value Zone	Heating Value Zone	Customer & Market Services	Common AGN/MGN Distribution Systems
S.IT27	Datamart	DAV platform	Technology	Common Systems AGN, MGN and DBP

Appendix C Risk Framework for IT Projects

Risk Likelihood Assessment

		Probability
Likelihood Rating	Almost Never (1)	The event may occur under exceptional circumstances, however this is not expected (<10% chance)
	Unlikely (2)	There is a slight possibility that the risk will occur during the life of the project, however it is not expected (10-30% chance)
	Possible (3)	There is a moderate possibility that the risk will occur during the life of the project (30-60% chance)
	Likely (4)	There is a strong possibility that the risk will occur during the life of the project (60-80% chance)
	Almost Certain (5)	The risk is expected to occur at least once during the life of the project (>80% chance)

Risk Impact Assessment

		Level of Impact				
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Risk Category	Cost*	Minimal overrun (<5%)	Minor overrun (5-10%)	Moderate overrun (10-20%)	Major overrun (20-30%)	Severe overrun (>30%)
	Schedule	Minimal delay (<5%)	Minor delay (5-10%)	Moderate delay (10-20%)	Major delay (20-30%)	Critical delay (>30%)
	Scope	Minimal changes with no impact	Minor, manageable changes	Moderate changes with some impact	Major, hard to manage changes	Uncontrolled scope creep; project viability at risk
	Quality	Little or no impact to quality standards	Minor quality issues; easily remedied	Some defects; moderate rework required	Major issues; significant rework required	Project deliverables unusable; project at risk of failure
	Resource	Minor skill / resource gaps; immaterial	Minor skill / resource gaps; manageable	Some key skill / resource gaps; will cause delays	Major skill / resource shortages; delivery will be impacted	Severe skill / resource shortages; project at risk of failure
	Benefits	Little or no impact to benefits (<5%)	Minor erosion or delay (5-10%)	Moderate erosion or delay (10-20%)	Major erosion or delay (20-30%)	Severe erosion or delay (>30%); project viability at risk

*Excludes contingency

Risk Rating Matrix

		Risk Impact Rating				
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Risk Likelihood Rating	Almost Never (1)	Negligible (1)	Negligible (2)	Negligible (3)	Low (4)	Intermediate (5)
	Unlikely (2)	Negligible (2)	Negligible (4)	Low (6)	Intermediate (8)	High (10)
	Possible (3)	Negligible (3)	Low (6)	Intermediate (9)	High (12)	High (15)
	Likely (4)	Low (4)	Low (8)	Intermediate (12)	High (16)	Extreme (20)
	Almost Certain (5)	Low (5)	Intermediate (10)	High (15)	Extreme (20)	Extreme (25)

Risk Rating Definitions

		Risk Rating Definition
Risk Rating	Negligible	Manage by routine procedures. Reassess at next review.
	Low	Risks that require no extra mitigation actions. Reassess at the next review.
	Intermediate	Risks that may or may not require extra mitigation actions.
	High	Risks that require extra mitigation actions so that the risk is reduced to 'intermediate' or lower as soon as reasonably practicable.
	Extreme	Risks that require extra mitigation actions so that the risk is reduced to 'intermediate' or lower immediately.