Final decision

Basslink electricity transmission determination 1
July 2026 to 30 June 2030

February 2026

AUSTRALIAN ENERGY REGULATOR

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Executive Summary

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia as it transitions to net zero emissions (the transition).

APA Group (APA) is the owner of Basslink Pty Ltd, the company that owns and operates the Basslink interconnector. For consistency and clarity, we refer to 'Basslink' throughout this final decision.

On 19 May 2023, Basslink lodged an application with us:

- to convert Basslink's network services from market network services (that is, unregulated services) to prescribed transmission services (that is, regulated services); and
- requesting us to commence, and specify, the process of making a transmission determination for Basslink.[1]

On 26 June 2025, we published our final decision to accept Basslink's application to convert its market network service to a prescribed transmission service. In reaching this decision, we consider that converting Basslink to a prescribed transmission service is likely to contribute to the achievement of the National Electricity Objective (NEO).[2] An important consideration in our conversion decision is that we expect the Basslink interconnector to continue to deliver market benefits, and that we expect the benefits it may provide to be greater if converted.

APA, as the owner of Basslink, will ultimately determine whether Basslink converts its market network service to a prescribed transmission service from 1 July 2026. Given the timing of our conversion decision, the regulatory control period for which we are making a revenue determination for Basslink commences on 1 July 2026 and the length of the regulatory control period will be 4 years, concluding on 30 June 2030.

Basslink has played a significant role in the National Electricity Market (NEM) since it commenced operation in 2006. In Tasmania 77.1% of total electricity generated is sourced from hydroelectricity.[3] Basslink supplements hydro generation by allowing electricity imports from Victoria when hydro output is constrained (for example due to drought conditions). In Victoria it allows Hydro Tasmania to provide peaking capacity. This role is becoming increasingly relevant with the growth of wind and solar capacity in Victoria, and the need to firm up supplies.

The National Electricity Rules (NER) require us to make revenue determinations for transmission network service providers (TNSPs) in respect of prescribed transmission services.[4] Our Better Resets Handbook,[5] together with the regulatory framework, sets our

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1 APA, *Basslink: Application for conversion and request to commence the process for making a transmission determination*, May 2023.

2 AER, *Final Decision – Basslink conversion application,* June 2025.

3 Tasmanian Economic Regulator, *Energy in Tasmania Report 2023–24,* March 2025, p 2.

4 NER cl. 6A.2.

5 AER, *Better Resets Handbook – towards consumer-centric network proposals*, July 2024.

expectations for each network's revenue proposal. Our final decision has been balanced so that consumers only pay for what is necessary and in their long-term interests.

For consumers, the benefits of Basslink depend on its reliability. The importance of reliability was highlighted when, between December 2015 and June 2016, Basslink experienced an outage that compromised Tasmania's security of energy supply and added to wholesale prices in Victoria. In response to the outage Basslink changed the way it operates the interconnector to improve reliability. Our revenue determination supplements this by providing Basslink with adequate revenues for maintenance and for effective responses should outages occur. Basslink's role in providing energy security is particularly important as it is the only interconnector linking Tasmania to the wider NEM until Marinus Link commences operations, expected in 2030.[6]

Consumer needs should be a key focus of the network businesses' regulatory proposals. Basslink's consumer engagement was broadly in line with expectations in the Better Resets Handbook, noting the complexity of consulting on aspects of the conversion application and revenue proposal. Consumer engagement identified affordability, including cost allocation between Tasmania and Victoria, and reliability as key issues. In reaching our final decision we have closely considered stakeholder views.

Our final decision

As with other revenue determinations we must use the building block approach to determine revenues, using forecasts of capital expenditure (capex), operating expenditure (opex), depreciation, tax and applying our 2022 Rate of Return Instrument. In making this revenue determination, we have assessed Basslink's proposal and made a number of adjustments.

Our final decision allows Basslink to recover $459.5 million ($ nominal, smoothed) in revenue from its customers for the 2026–30 regulatory control period (2026–30 period). This is $1.7 million (or 0.4%) less than Basslink's revised proposal of $461.2 million.[7]

The key elements driving Basslink's proposed total revenue over the 2026–30 period are return on capital, underpinned by the opening regulatory asset base (RAB), and, to a lesser extent, proposed capex and opex.

In a typical revenue determination, we compare revenue from one regulatory control period to the next on a like-for-like basis. However, as Basslink is not currently a regulated asset there is no immediate regulatory control period to which we can compare. Further, unlike other revenue determinations, we must establish the opening RAB for the first time. We have set the RAB using the depreciated actual cost of Basslink. This approach reflects requirements in the NER, specifically that we must determine the opening value of Basslink's RAB by applying the 'methodologies, objectives and principles' applied in the Murraylink (2003) and Directlink (2006) conversion decisions.[8]

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6 On 6 February 2026, the AER published the Marinus Link Stage 1, Part B (Construction cost) final decision: AER, *AER Final Decision Marinus Link Stage 1, Part B (Construction costs)*, February 2026.

7 APA, Basslink - Attachment 1 - Revised Proposal PTRM, November 2025.

8 NER, cl 11.6.20(a) and (e).

Our final decision determines an opening value of Basslink's RAB as at 1 July 2026 of $744.6 million ($2026–27), $1.9 million higher than Basslink's revised proposal and $24.1 more than our draft decision. The higher opening RAB value is due to updated inflation, with the Consumer Price Index (CPI) updated from expected (2.72%) to actual (3.63%). Had actual CPI matched expected, the opening RAB value would have been $4.8 million lower than Basslink's revised proposal.

Consistent with our draft decision, our final decision's opening RAB value reflects Basslink's depreciated actual cost with updates to the inputs used in this methodology. In determining the value of Basslink's opening RAB, we have closely examined the opening RAB against the legal framework for prudency and efficiency.

Our final decision accepts Basslink's forecast capex of $14.4 million ($2025–26). For all capex categories other than control and protection system (CPS) replacement capex, Basslink accepted our draft decision. CPS replacement capex was included as a placeholder in our draft decision as we had insufficient information to form a view on its prudency and efficiency. Basslink subsequently removed the CPS replacement from its capex forecast in its revised proposal and instead proposed it as a contingent project.

Our final decision is to accept Basslink's revised proposal total opex forecast of $124.1 million[9] ($2025–26) including debt raising costs, for the 2026–30 period. In its revised proposal Basslink proposed a base year of 2023–24 on the basis that it more accurately reflects Basslink's operating costs. We consider it is reasonable for Basslink to use 2023–24 as the base year for its base opex amount of $111.8 million (over 4 years) as it reflects audited actual opex for a recent year, which we consider is reasonably representative of the nature of base opex costs that are required for the next regulatory control period.

Our final decision accepts two components of Basslink's revised proposal that we consider are important for Basslink's continued reliability: the control and protection system upgrade contingent project and the repair vessel fit out cost pass through.

Our final decision applies the capital expenditure sharing scheme (CESS) and efficiency benefits sharing scheme (EBSS). In applying these incentive schemes, we consider they will encourage Basslink to pursue expenditure efficiencies while maintaining the reliability and overall performance of the interconnector. Our final decision does not apply the service target performance incentive scheme (STPIS) for the reasons set out in section 4.

Cost allocation has been a contentious issue with stakeholders, in part due to the unique circumstances where the majority of the Basslink interconnector is located in Commonwealth waters. The NER does not empower the AER to approve a cost allocation methodology. Rather, Basslink is required to determine the cost allocation between Victoria and Tasmania. Basslink has consulted extensively on its proposed approach to cost allocation and the outcome is broadly consistent with the allocations agreed by governments for Marinus Link.[10]

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9 APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025.

10 Cost allocation for Marinus Link has been determined by an intergovernmental cost allocation agreement where Victoria has been allocated 72.4% of costs and Tasmania 27.6%.

This document sets out the assessment approaches applied; enquiries made as part of our review and the rationale for our final decision.

Contents

1 Our final decision

Our final decision allows Basslink to recover a total revenue cap of $459.5 million ($ nominal, smoothed) from its consumers from 1 July 2026 to 30 June 2030.

In the sections below, we outline what is driving Basslink's revenue, and the key differences between our final decision and the $461.2 million ($ nominal, smoothed) in Basslink's revised proposal.[11]

1.1 Key differences between our final decision and Basslink's revised proposal

Our final decision provides for some reductions to core components of Basslink's revised proposal which have led to a slightly lower annual revenue requirement (unsmoothed).

For the 2026–30 period, the main area of difference between our final decision and Basslink's revised proposal annual revenue requirement is our reduction to regulatory depreciation. This is driven by our final decision on a lower straight-line depreciation. Regulatory depreciation is also further driven by establishing a slightly higher opening RAB as at 1 July 2026 as well as a higher expected inflation, leading to overall higher indexation on the RAB and reducing regulatory depreciation.

This reduction in regulatory depreciation is also the primary driver in our final decision on a lower cost of corporate income tax, decreasing the annual revenue requirement further.

This is partially offset by our final decision on higher return on capital, driven primarily by our final decision on a higher rate of return over the 2026–30 period[12] and a slightly higher opening RAB value at 1 July 2026.

The updates in our final decision to reflect movements in some market variables, such as expected inflation and rate of return, have impacted revenue outcomes for certain building blocks.

1.2 Expected impact of our final decision on electricity bills

Basslink's revenue will be recovered from Victorian and Tasmanian customers through VicGrid and TasNetworks as the respective Coordinating Network Service Providers (CNSPs) in the Victorian and Tasmanian regions in accordance with Basslink's pricing methodology. This revenue does not directly translate to changes in annual electricity bills, principally because Basslink is just one component of the broader transmission network that serves Victoria and Tasmania. However, we have attempted to estimate the incremental bill impact on Victoria and Tasmania as a result of the conversion of Basslink to regulated status.

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11 APA, Basslink - Attachment 1 - Revised Proposal PTRM, November 2025.

12 Average rate of return over the 2026–30 period.

Basslink previously operated under a contract with Hydro Tasmania whereby Hydro Tasmania bid the transport capacity and paid a fee to the operator of Basslink in return. Should Basslink exercise the option to convert its services to regulated transmission services these costs will be recovered from consumers. Our conversion decision found in most scenarios, regulation of Basslink is expected to provide improvement to economic efficiency, and 'we expect this will result in a net benefit for consumers over the long-term'.[13] While highly sensitive to inputs and assumptions, modelling of wholesale electricity prices obtained to inform our conversion decision suggests consumers may experience price benefits from conversion.[14]

Transmission charges make up around 7% of a typical residential electricity bill and 6% for a small business in Tasmania,[15] while in Victoria it is 4% and 6% respectively.[16] Other components of the electricity supply chain—the cost of purchasing energy from the wholesale market, distribution network charges, environmental schemes and the costs and margins applied by electricity retailers in determining the prices they will charge consumers for supply—also contribute to the prices ultimately paid by consumers. These other components of a consumer's electricity bill sit outside the decision we are making here and will also continue to change throughout the period.

Under Basslink's proposed cost allocation, 75% of Basslink's revenue will be recovered from Victorian customers and the remaining 25% from Tasmanian customers. For Victorian customers, we consider this will add approximately 0.6% to the typical annual residential electricity bills and 0.9% to annual small business electricity bills. For Tasmanian customers, we consider it will add approximately 1.0% to the typical annual residential electricity bills and 0.9% to annual small business electricity bills.

For illustrative purposes only, we estimate the impact ($ nominal) of our final decision on the transmission network component of the average annual electricity bill for a customer in Victoria, as it is today, would be:[17]

- for a residential customer, an increase of $10 in 2026–27, then stay relatively flat for the remaining 3 years
- for a small business customer, an increase of $31 in 2026–27, followed by increases of $1 per annum for the remaining 3 years.

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13 AER, *Final Decision – Basslink conversion application*, June 2025, p. 3.

14 AER, *Final Decision – Basslink conversion application*, June 2025, p. 26. For the outcomes of modelling refer to ACIL Allen, *Basslink conversion: Modelling and analysis of benefits*, July 2024.

15 Office of the Tasmanian Economic Regulator, *Typical Electricity Customers in Tasmania – 2022*, September 2022.

16 AER analysis; Essential Services Commission, *Victorian Default Offer 2025–26: Final Decision Paper*, 21 May 2025.

17 The 2025–26 total electricity bills for residential customers and small business customers in Victoria are estimated to be $1,675 and $3,620 respectively, which are based on the averages of the Victorian Default Offers in the AusNet, CitiPower, Jemena, Powercor and United Energy networks. Essential Services Commission, *Victorian Default Offer 2025–26: Final Decision Paper*, 21 May 2025, pp 11–13.

Similarly, for illustrative purposes only, we estimate the impact ($ nominal) of our final decision on the transmission network component of the average annual electricity bill for a customer in Tasmania, as it is today, would be:[18]

- for a residential customer, an increase of $25 in 2026–27, followed by increases of $1 per annum for the remaining 3 years
- for a small business customer, an increase of $29 in 2026–27, followed by increases of $1 per annum for the remaining 3 years.

Our estimated bill impacts for Victoria are based on the typical annual electricity usage of 4,000 kWh and 10,000 kWh for residential and small business customers, respectively.[19] Our estimated bill impacts for Tasmania are based on the typical annual electricity usage of 7,428 kWh and 8,782 kWh for residential and small business customers, respectively.[20] Therefore, customers with different usage will experience different changes in their bills. Our electricity bill analysis excludes the impact of settlement residue auction (SRA) revenues. While we expect SRA revenues will reduce the bill impact for consumers, given uncertainty over SRA revenue we have not included this in our estimated bill impacts. We also note that there are other factors, such as metering, wholesale and retail costs, which affect electricity bills.

Basslink is in negotiations for the provision of load and generator tripping services to support the Frequency Control Special Protection Scheme (FCSPS). The FCSPS allows the Basslink interconnector to operate at its full capacity rather than restricting flows to 144MW in each direction. Basslink expects to apply to the AER for review of the draft contract under the system security network support payment provision. Upon receiving the application, the AER will need to determine the prudency and efficiency of the proposed payments or payment methodologies in a decision that is separate to the revenue determination. If approved by the AER, the costs associated with load and generator tripping services under the FCSPS would be recovered outside the revenue determination via the annual transmission pricing and network support pass through processes. The AER has requested that the expected costs for these services be made publicly available once current confidential negotiations have been completed.

1.3 Interjurisdictional cost allocation

Interjurisdictional allocation of the aggregate annual revenue requirement (AARR) between Tasmania and Victoria, often referred to as cost allocation, has been of significant interest to stakeholders. As most of the Basslink interconnector is located in Commonwealth waters the majority of the interconnector is not in a NEM region. Basslink has proposed an approach to interjurisdictional allocation of the AARR that has been informed by Basslink's stakeholder engagement and in light of Basslink's unique circumstances. This is the first time assets are

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18 The 2025–26 total electricity bills for residential customers and small business customers in Tasmania are estimated to be $2,173 and $2,886 respectively, which are based on estimates in our final decision for the 2024–29 regulatory control period. AER, *Final Decision – TasNetworks Electricity Transmission Determination 2024 to 2029, Attachment 1 – Maximum allowed revenue*, April 2024, p 13.

19 Essential Services Commission, *Victorian Default Offer 2025–26: Final Decision Paper*, 21 May 2025, pp 11, 13.

20 Office of the Tasmanian Economic Regulator, *Typical Electricity Customers in Tasmania – 2022*, September 2022, pp 1–2.

not clearly located in one NEM region or another, therefore this is the first time the issue of allocating assets not in a NEM jurisdiction has arisen.[21]

1.3.1 Role of the AER

In our issues paper in November 2023, we considered that cost allocation was a decision we would make as part of a revenue determination should Basslink's conversion application be accepted.[22] In our consultation paper in August 2024, we considered that Basslink's cost allocation methodology, at the time based on the market size approach that allocated 90% of costs to Victoria and 10% to Tasmania, was supported by the NER given it is consistent with allocating costs based on 'use' of a TNSP's assets to provide prescribed services within a region.[23]

In our December 2024 draft conversion decision, we reconsidered the AER's role regarding cost allocation and formed the view that the NER does not empower the AER to approve a cost allocation methodology. Rather, if converted, Basslink would determine the allocation of its AARR (and consequently allocation of regulated transmission charges) between Victoria and Tasmania.[24]

In response to the draft transmission determination that outlined it is the responsibility of a TNSP to determine allocation of AARR between regions, the Victorian Government submitted that the AER is empowered to reject and amend an interjurisdictional cost allocation that is not based on a geographic approach. The Victorian Government submission contends that interjurisdictional cost allocation is part of a TNSP's pricing methodology.[25] VicGrid also submitted that the AER has the authority to assess, amend and approve the method for allocating interconnector costs between jurisdictions (where no interjurisdictional ministerial agreement exists), and such an allocation should be based on a geographic approach.[26]

In forming the view that the NER does not empower the AER to approve interjurisdictional allocation of AARR we have considered the rules as they relate to a TNSP's pricing methodology. We consider clause 6A.22.1 of the NER specifies how a TNSP must derive its AARR from it is maximum allowed revenue (MAR). Further, the details on how the TNSP will derive its AARR must be set out in its pricing methodology, noting clause 2.1(c) of the AER's Pricing Methodology Guidelines requires 'details of how a TNSP's AARR will be derived'. However, we do not consider this is the same as requiring a TNSP's pricing methodology to set out the allocation of AARR between regions.

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21 We note that once Marinus Link has been constructed and services commence, expected in 2030, cost allocation will be determined by an intergovernmental cost allocation agreement.

22 AER, *Issues Paper: Basslink Conversion Application and Electricity Transmission Determination*, 9 November 2023, p 30.

23 AER, *Consultation Paper: Basslink conversion*, 30 August 2024, p 24,

24 AER, *Draft decision: Application for Basslink's network services to be classified as prescribed transmission service*, 17 December 2024, p 18; AER, *Final Decision – Basslink conversion application,* June 2025, p 3; and AER, *Draft Decision – Basslink Electricity Transmission Determination 2026–30*, p 3.

25 Victorian Government, *Submission on AER's Basslink Draft Revenue Determination*, December 2025, p 3.

26 VicGrid, *Submission on AER's Basslink Draft Revenue Determination*, December 2025, p 1.

Further, we have not otherwise identified any provision in the NER or the AER's Pricing Methodology Guidelines that would lead to the conclusion that, once the TNSP has derived its AARR, the subsequent interjurisdictional allocation by the TNSP of that AARR is part of a TNSP's pricing methodology.

We do not consider that the interjurisdictional allocation of the AARR is something that the TNSP, in this case Basslink, is required to include in its pricing methodology. Given this view, and in the absence of any other provision in the NER relevant to the AER's role in determining interjurisdictional allocation of AARR, we consider the NER does not empower the AER to approve or not approve the interjurisdictional allocation of Basslink's AARR. Rather, Basslink is required to determine the allocation of its AARR (and consequently allocation of regulated transmission charges) between Victoria and Tasmania.

1.3.2 Basslink's proposed cost allocation and stakeholder submissions

Basslink, in consultation with the Regulatory Reference Group, initially developed three cost allocation methodologies that were consulted on with stakeholders: geographic, energy flows and market size.[27] Following consultation, Basslink proposed the market size approach in its revenue proposal allocating 90% of AARR to Victoria and 10% to Tasmania.[28]

In October 2024, Basslink provided several updates to its revenue proposal in response to stakeholder views. These updates included a revised approach to cost allocation proposing a blend of market size and energy flows resulting in 25% of costs allocated to Tasmania and 75% to Victoria.

Stakeholders have expressed divergent views regarding cost allocation, both in relation to the AER's role and the appropriate allocation between Victoria and Tasmania. Submissions from Tasmanian stakeholders have generally supported the market size approach with the Tasmanian Small Business Council supporting the principle that electricity consumers of a similar class should face broadly comparable costs for shared transmission assets, regardless of jurisdiction.[29]

The Tasmanian Government contends that the NER does not provide guidance in ruling in or out any cost allocation methodology and, in the absence of guidance, the principle of equity should be given strong weight.[30]

AEMO in its submission to the AER noted that the NER 'do not detail how' cost allocation across State and Commonwealth boundaries 'should be applied' and encouraged 'dialogue between the affected jurisdictions, as is being done for Marinus Link, to ensure consistency between approaches where possible.'[31]

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27 APA Group, *Basslink – Attachment 4 – Revenue and Pricing Methodology, 15 September 2023*, p 114. Geographic: 55 Vic / 45 Tas; energy flows: 50 Vic / 50 Tas; market size: 90 Vic / 10 Tas

28 APA Group, *Basslink – Attachment 4 – Revenue and Pricing Methodology, 15 September 2023*, p 114.

29 Tasmanian Small Business Council, *Submission on APA's Revised Revenue Proposal for Basslink*, December 2025.

30 Tasmanian Government, *Submission on APA's Revised Revenue Proposal for Basslink*, December 2025.

31 AEMO, *Submission on Basslink Issues Paper*, February 2024, p. 1

The Victorian Government contends the NER requires cost allocation on the basis of geography and maintains the AER is empowered to reject and amend cost allocation where it is not based on a geographic approach.[32]

1.3.3 Role of Coordinating Network Service Provider

The Victorian Government also submitted that the Coordinating Network Service Provider (CNSP)[33] is empowered to reject the AARR allocated to it by a TNSP, if the AARR calculated by a TNSP for its region was:[34]

- derived in a way that does not comply with the NER,
- it prevents the CNSP from properly performing its functions under part J of Chapter 6A of the NER.

We have closely considered the legislative framework as it relates to the role of a CNSP and cannot see any ability for the CNSP to reject the AARR notified to it by a TNSP for its region. The framework provides for:

- the appointing of a CNSP for a region,
- each TNSP that provides prescribed transmission services within the region notifying the CNSP for the region of the TNSP's calculation of its AARR for the region, and
- the allocation by the CNSP of the total regional AARR to services, where the total regional AARR includes the calculation of each TNSP's AARR for the region.

1.3.4 'Geographic approach' and clause 6A.29.1A

The Victorian Government's submission contends that the correct application of clause 6A.29.1A to Basslink's transmission determination would result in an interjurisdictional cost allocation based on a geographic approach. Our position, for the reasons set out above, is that the NER does not empower the AER to determine interjurisdictional allocation of a TNSP's AARR. Clause 6A.29.1A(a) of the NER requires Basslink to determine the interjurisdictional allocation of its AARR in accordance with clause 6A.29.1A(a).

For existing regulated interconnectors, the asset is typically located in two NEM regions, with the AARR of the interconnector allocated between the two NEM regions. These costs are then recovered from consumers in each NEM region via transmission charges. For Murraylink and Directlink, both of which were converted from market network services to prescribed services, the allocation of the AARR was based on the physical location of the assets in each jurisdiction.[35] Similarly, For Project Energy Connect, the South Australian component of the interconnector is owned by ElectraNet with revenue recovered through its

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32 Victorian Government, *Submission on APA's Revised Revenue Proposal for Basslink,* December 2025

33 Where there are multiple TNSPs in a region, those providers must appoint a Coordinating Network Service Provider responsible for allocating all the AER-determined regulated revenue in that region, consistent with NER, cl. 6A.29.1(a).

34 Victorian Government, *Submission on AER's Basslink Draft Revenue Determination*, December 2025, p 3

35 APA, *Basslink Transmission Revenue Proposal*,15 September 2023, p 112.

transmission charges, while the New South Wales component is owned by TransGrid with revenue recovered through Transgrid's transmission charges.[36]

1.3.5 Interconnector cost allocation agreement

On 3 October 2024, the AEMC published a rule change *Providing flexibility in the allocation of interconnector costs*[37] which commenced on 3 July 2025. The rule change allows two or more Ministers to make an interconnector cost allocation agreement for new and converting interconnectors. It is open to the relevant Victorian and Tasmanian Minister to reach an agreement on cost allocation for Basslink, as has been reached for Marinus Link where Victoria has been allocated 72.4% of costs and Tasmania 27.6%.[38] Under the rule change, a cost allocation agreement can be implemented within a regulatory control period.

36 Rule change request: *Providing flexibility in the allocation of interconnector costs*, October 2023, pp. 3-4

37 AEMC, *Providing flexibility in the allocation of interconnector costs*, October 2024

38 Refer: Project Marinus Frequently Asked Questions | ReCFIT, accessed 12 January 2026

2 Basslink's consumer engagement

Stakeholder engagement is an important element of the regulatory process as it provides us with supporting evidence that proposals are aligned with consumer interests and expectations. Our expectations for consumer engagement in network revenue determinations are set out in the Better Resets Handbook.[39]

Network businesses are required to ensure consumer views are considered and represented in their regulatory proposal. In the case of Basslink, it has been important for consumer views to be considered and represented both in relation to the conversion application and the revenue proposal. Our role is to consider the consumer engagement process and stakeholder submissions when making our decisions.

2.1.1 Basslink's engagement on its proposal

In November 2022 Basslink established the independent Regulatory Reference Group (RRG) with members comprising a cross-section of stakeholders representing residential, small business and large energy users in Tasmania and Victoria. The RRG has met 18 times, providing input into the development of Basslink's conversion application and revenue proposal with ongoing consultation on key issues including the opening RAB value, cost allocation, opex and capex. In August 2023, the RRG provided a submission to the AER that included an assessment of Basslink's pre-lodgment engagement, noting that on balance engagement had met the expectations of the Better Resets Handbook.[40]

Basslink has continued to engage with the RRG, Victorian and Tasmanian stakeholders following submission of the revenue proposal. In response to stakeholder views, including concerns regarding affordability and cost allocation, in September 2024 Basslink proposed a lower opening RAB value and revised approach to cost allocation. Elements of Basslink's revised revenue proposal that have been informed by stakeholder consultation include the proposed cost pass through for the repair vessel fit out and contingent project for the replacement of the control and protection system, reflective of stakeholder views regarding the importance of reliability.

Our observation was that on balance Basslink's consumer engagement was broadly in line with expectations in the Better Resets Handbook, noting the complexity of consulting across elements of both the revenue proposal and conversion application.

2.1.2 What we've heard from stakeholders on our draft decision and Basslink's revised proposal

Our consultation on Basslink's conversion application and revenue proposal commenced with our issues paper published on 10 November 2023, supported by a public forum on 22 November 2023. We consulted on Basslink's conversion application via a consultation paper and a draft decision. Following the final decision to convert Basslink's services from a market network service to a prescribed transmission service, we consulted on the revenue

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39 AER, *Better Resets Handbook – towards consumer-centric network proposals*, July 2024.

40 RRG, *An independent report to the Australian Energy Regulator*, August 2023 p. 2

determination timelines and released the revenue determination draft decision on 19 September 2025, supported by a predetermination conference on 30 September 2025. In total we received 34 submissions and we closely considered each of these during our assessment of Basslink's revenue proposal and conversion application.[41]

Stakeholders provided a range of views in submissions and when participating in public forums. Key issues that emerged include:

- Basslink's proposed opening RAB value, including implications for affordability and how the regulatory framework should be applied when determining the opening RAB.
- Cost allocation, including the preferred allocation between Victoria and Tasmania, the regulatory framework and the AER's role in considering this issue.
- Reliability, including recognition that for Basslink to deliver benefits to consumers reliability is important.
- Discussion of the FCSPS, both in terms of its role in allowing Basslink to operate at its full capacity and cost to consumers.
- Discussion of regulatory costs in the context of the conversion application, including whether Basslink or consumers should bear these costs.

In reaching our final decision, we have carefully considered all the submissions we have received in relation to Basslink's revenue proposal. Aspects of our final decision and the process we established to support assessment of Basslink's proposal that reflect stakeholder views include:

- Our decision to not accept costs associated with Basslink's conversion application in the opening asset value is consistent with what we have heard in submissions from stakeholders.
- Our decision to accept the contingent project application for the replacement of control and protection system is consistent with stakeholder views that highlighted the importance of reliability.
- Our decision to accept the cost pass though application for the repair vessel fit out is consistent with stakeholder views regarding the importance of the Basslink interconnector to be repaired efficiently in the event of an outage.
- The application of the CESS and EBSS will incentivise efficient capex and opex, consistent with stakeholder views regarding affordability.
- Our close scrutiny of Basslink's proposed opening RAB value, capex and opex aligns with stakeholder views regarding affordability.

The AER acknowledges and appreciates the time and resources individuals and organisations have invested in preparing submissions and engaging in our consultation process.

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41 Refer AER, *Final Decision – Basslink conversion application*, June 2025 for analysis of stakeholder submissions regarding conversion.

3 Key components of our final decision on revenue

Building block approach

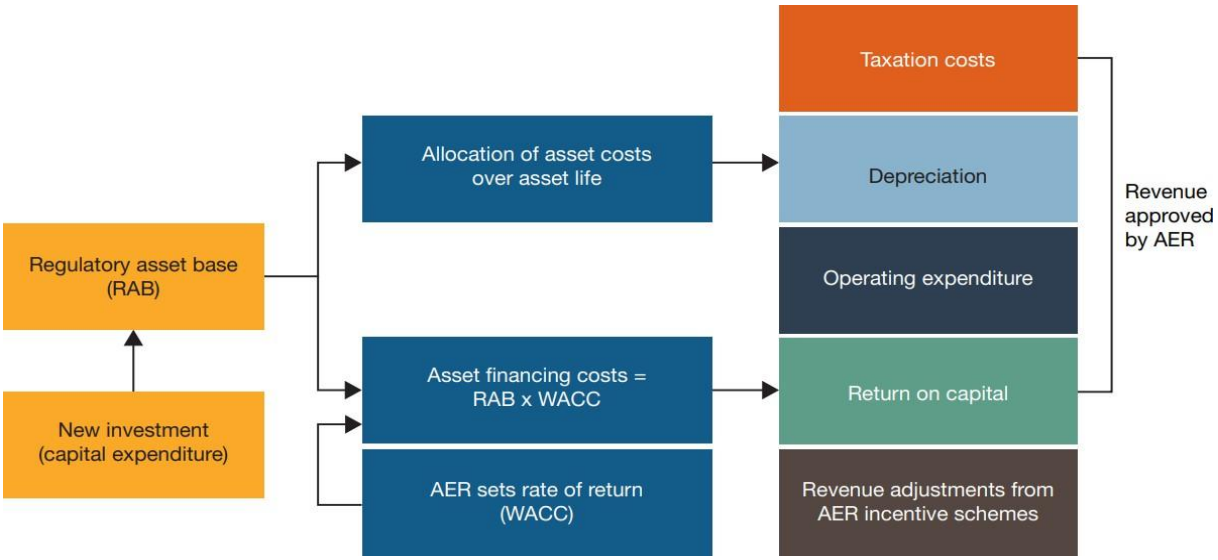
The foundation of our regulatory approach is a benchmark incentive framework to setting maximum revenues: once regulated revenues are set for a regulatory control period, a network that keeps its actual costs below the regulatory forecast of costs retains part of the benefit. This provides an incentive for service providers to become more efficient over time. It delivers benefits to consumers as efficient costs are revealed and drive lower cost benchmarks in subsequent regulatory control periods. By only allowing efficient costs in our approved revenues, we promote achievement of the NEO and ensure consumers pay no more than necessary for the safe and reliable delivery of electricity.

Basslink's revised proposal reflects its forecast of the efficient cost of providing transmission network services over the 2026–30 period. Its revised revenue proposal, and our assessment of it under the National Electricity Law (NEL) and NER, are based on a 'building block' approach which looks at five cost components (see Figure 1):

- Return on the RAB – or return on capital, to compensate investors for the opportunity cost of funds invested in this business.
- Depreciation of the RAB – or return of capital, to return the initial investment to investors over time.
- Forecast opex – the operating, maintenance and other non-capital expenses, incurred in the provision of network services.
- Revenue increments/decrements – resulting from the application of incentive schemes, such as the EBSS and CESS.
- Estimated cost of corporate income tax.

Figure 1 The building block model to forecast network revenue

Source: AER.



3.1 Maximum allowed revenue

Our final decision includes a determination of Basslink's annual building block revenue requirement (unsmoothed revenue) and annual MAR (smoothed revenue) across the 2026–30 period. The smoothed revenues we set in this final decision are the amounts that are targeted for the provision of Basslink's prescribed transmission services for each year of the 2026–30 period.

The annual building block revenue requirement is the sum of the various building block costs for each year of the regulatory control period, which can be lumpy over the period. To minimise price shocks, revenues are smoothed within a regulatory control period while maintaining the principle of cost recovery under the building block approach. As such, revenue smoothing requires diverting some of the cost recovery to adjacent years within the regulatory control period.

We determine a total annual building block revenue requirement of $459.2 million ($ nominal, unsmoothed) for Basslink for the 2026–30 period. This is a reduction of $2.0 million or 0.4% compared to Basslink's revised proposal and reflects the impact of our final decision on the various building block costs.

We determine the annual expected MAR (smoothed) and X factor for each regulatory year of the 2026–30 period by smoothing the annual building block revenue requirement. Our final decision approves an estimated total revenue cap (which is the sum of the annual expected MAR) of $459.5 million ($ nominal) for Basslink for the 2026–30 period. We approve X factors of zero for each of the regulatory years in 2027–28 to 2029–30.[42]

Our final decision on Basslink's transmission revenues for the 2026–30 period is set out in Table 1.

Table 1 Final decision on Basslink's annual building block revenue requirement, annual expected MAR, estimated total revenue cap and X factor ($ million, nominal)

	2026–27	2027–28	2028–29	2029–30	Total
Return on capital	50.4	49.4	47.5	45.5	193.0
Regulatory depreciation[a]	26.6	28.8	31.0	33.3	119.8
Operating expenditure[b]	31.2	32.1	34.3	34.9	132.6
Revenue adjustments	0.0	0.0	0.0	0.0	0.0
Net tax amount	3.3	3.4	3.5	3.7	13.9
Annual building block revenue requirement (unsmoothed)	111.6	113.7	116.4	117.5	459.2

[42] Basslink is not required to apply an X factor for 2026–27 because we set the 2026–27 MAR in this decision.

	2026–27	2027–28	2028–29	2029–30	Total
Annual expected MAR (smoothed)	**110.4**	**113.3**	**116.3**	**119.4**	**459.5[c]**
X factor (%)[d]	n/a[e]	0.00%	0.00%	0.00%	n/a

Source: AER analysis.
(a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.
(b) Includes debt raising costs.
(c) The estimated total revenue cap is equal to the total annual expected MAR.
(d) The X factors will be revised to reflect the annual return on debt update. Under the CPI–X framework, the X factor measures the real rate of change in annual expected smoothed revenue from one year to the next. A negative X factor represents a real increase in revenue. Conversely, a positive X factor represents a real decrease in revenue.
(e) Basslink is not required to apply an X factor for 2026–27 because we set the 2026–27 MAR in this decision.

3.1.1 Annual revenue adjustment process

Appendix C sets out the annual revenue adjustment process that is applied to Basslink's MAR from the second year of the 2026–30 period.

3.1.2 X factor, annual expected MAR and estimated total revenue cap

The net present value (NPV) of the annual building block revenue requirement is $390.3 million as at 1 July 2026.[43] Based on this NPV and applying the CPI–X method, we determine the annual expected MARs (smoothed) for Basslink. We have set the MAR for the first regulatory year (2026–27) at $111.6 million ($ nominal).[44] We then apply an expected inflation rate of 2.64% per annum and an X factor of zero for each regulatory year to determine the expected MARs in the remaining 3 years of the 2026–30 period (2027–28 to 2029–30).[45] We consider that our profile of X factors results in an expected MAR in the last year of the regulatory control period (2029–30) that is as close as reasonably possible to the annual building block revenue requirement for that year.[46]

In nominal terms, our final decision provides for a MAR of $111.6 million in 2026–27, followed by average increases of 2.64% per annum over the subsequent 3 years to give a MAR of $119.4 million in 2029–30. The resulting estimated total revenue cap for Basslink is $459.5 million ($ nominal, smoothed) for the 2026–30 period.

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43 The PTRM must be such that the expected MAR for each year of the regulatory control period is equal to the NPV of the annual building block revenue requirement. NER, cl. 6A.5.3(c)(1).

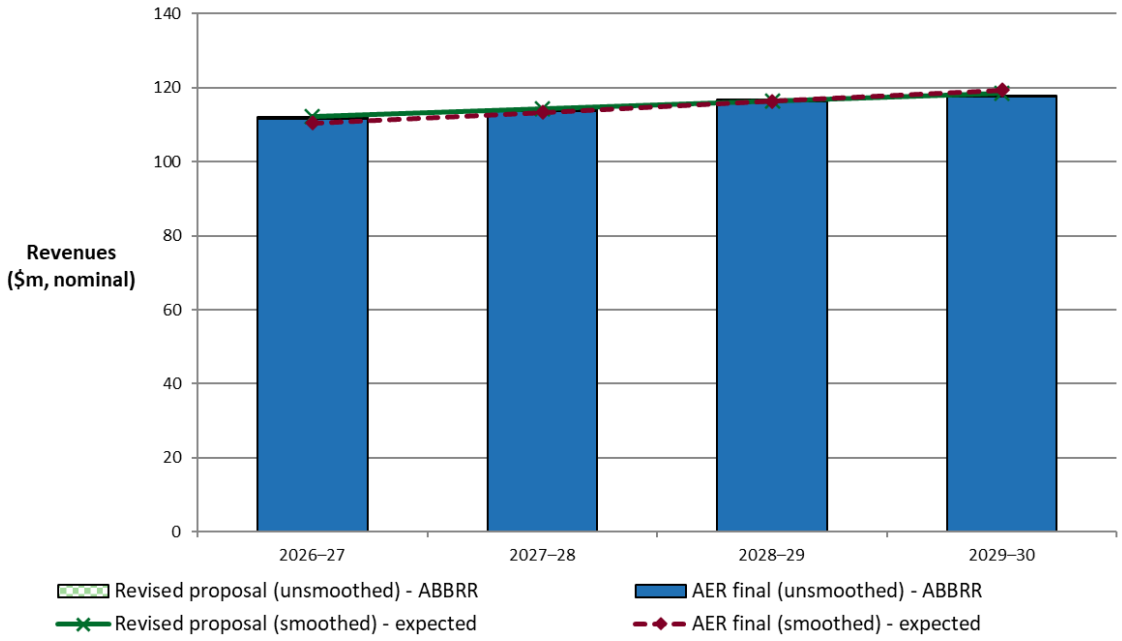
44 Basslink is not required to apply an X factor for 2026–27 because we set the 2026–27 MAR in this decision.

45 Under cl. 6A.5.3(c)(3) of the NER, our PTRM must calculate the MAR for each regulatory year by escalating the MAR for the previous regulatory year using a CPI–X methodology.

46 Under cl. 6A.6.8(c)(2) of the NER, the X factor for each regulatory year must be such that the expected MAR for the last regulatory year is as close as possible to the annual building block revenue requirement for that year. We consider a divergence of up to 3% between the expected MAR and annual building block revenue requirement for the last year of the regulatory control period is appropriate, if this can achieve smoother price changes for users over the regulatory control period. In the present circumstances, based on the X factors we have determined for Basslink, this divergence is around 1.61%.

Figure 2 shows our final decision on Basslink's annual expected MAR (smoothed revenue) and the annual building block revenue requirement (unsmoothed revenue) for the 2026–30 period.

Figure 2 Final decision on Basslink's revenue for 2026–30 period ($ million, nominal)



Source: AER analysis.
Note: Annual building block revenue requirement (ABBRR).

3.2 Opening RAB as at 1 July 2026

The RAB accounts for the value of regulated assets over time. In a typical revenue determination, to set the value of the RAB for a new regulatory control period, we take the opening value of the RAB from the end of the last period and roll it forward each year by indexing it for inflation, adding new capex and subtracting depreciation and other possible factors (such as disposals). This gives us a closing value for the RAB at the end of each year of the regulatory control period. However, as Basslink is not a regulated TNSP there is no established RAB value to roll forward, consequently, we are required to determine the opening RAB value.

For this final decision, we determine an opening value for Basslink's RAB of $744.6 million ($2026–27) as at 1 July 2026. The opening RAB is predominately constituted of the 'Cable' asset class (68% of the overall asset value).

Basslink initially proposed that its first regulatory control period start on 1 July 2025 and its proposed opening RAB value was to apply from that date. Our decision is to commence Basslink's first regulatory control period on 1 July 2026, and our final decision opening RAB value of $744.6 million applies from this date.

3.2.1 Our draft decision

Our draft decision determined an opening value of Basslink's RAB at 1 July 2026 of $720.5 million ($2026–27), $32.3 million less than the revised opening RAB value proposed by Basslink of $752.8 million ($2025–26), proposed to apply from 1 July 2025.[47]

Our draft decision opening RAB value reflected Basslink's depreciated actual cost and was estimated using the same methodology used by Basslink in its proposed value of depreciated actual cost. However, we corrected a number of errors in Basslink's depreciated actual cost calculation and used alternative input values that we considered result in a more accurate reflection of Basslink's depreciated actual cost.

In determining Basslink's opening RAB value we are required[48] to apply the previous regulatory approach from the Australian Competition and Consumer Commission's (ACCC) 2003 Murraylink determination[49] and the AER's 2006 Directlink determination.[50] The previous regulatory approach involves applying a regulatory investment test to ascertain if the market benefits of the Basslink interconnector exceed its depreciated actual cost, and if there are any credible alternative asset options that could produce greater net benefits than Basslink. Broadly, if Basslink's depreciated actual cost is lower than the value of its benefits, and there is no other more efficient alternative asset option, then Basslink's assets are valued at depreciated actual cost. Our approach to determining Basslink's opening RAB value is consistent with Basslink's proposal. Further detail on how we estimated Basslink's depreciated actual cost is in Attachment 1 to our draft decision.[51]

3.2.2 Basslink's revised proposal

In its revised proposal Basslink proposed an opening asset value as at 1 July 2026 of $742.6 million ($2025–26). Basslink's revised proposal was based on our draft decision estimate of the opening asset value, with the following proposed variations:

- Adjusting the rate or return, applied to each year's capital expenditure during Basslink's 2000 to 2006 construction phase, from real to nominal to appropriately account for financing costs incurred. This change aligns with the intent in the AER's draft decision and the treatment of new capital expenditure in the AER's Post-Tax Revenue Model (PTRM) and RAB Roll-Forward Model (RFM).
- Inclusion of costs incurred in 2022–23, 2023–24, and 2024–25 relating to the transition of Basslink from a market network service provider to a regulated transmission network

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47 Basslink initially proposed that its first regulatory control period start on 1 July 2025 and its proposed opening RAB value was to apply from this date. Our decision is to commence Basslink's first regulatory control period on 1 July 2026, and our draft decision opening RAB value of $720.51 million applies from this date. Basslink initially proposed an opening asset value of $831 million based on depreciated actual cost. On 12 April 2024, Basslink submitted an amended depreciated actual cost estimate of $792 million. On 10 July 2024, Basslink submitted a further amended depreciated actual cost estimate of $813 million. On 27 September 2024, Basslink submitted a further amended depreciated actual cost estimate of $753 million

48 NER, cl. 11.6.20(e).

49 ACCC, *Murraylink Transmission Company Application for Conversion and Maximum Allowed Revenue, Decision*, 1 October 2003.

50 AER, *Directlink Joint Venturers' Application for Conversion and Revenue Cap – Decision*, March 2006.

51 AER, *Draft Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Attachment 1 – Opening regulatory asset base*, September 2025.

service provider. Basslink included these costs in the opening asset value in its initial proposal on the basis that it is directly linked to future revenue and therefore capex as per Australian Statement of Accounting Concepts 4 (SAC 4). We did not include these costs in our draft decision estimate of the opening asset value. We considered that these costs did not meet the definition of an asset under SAC 4 and that these costs should be treated as operating, rather than capital expenditure. In its revised proposal Basslink submitted that these costs meet the definition of an intangible asset under Australian Accounting Standard AASB 138.

- Updated estimates of capex incurred and commissioned in 2025–26, which accepts our draft decision estimates of capex in 2025–26 with the following adjustments:
  - An additional $4.8 million for front-end engineering and design of potential upgrades to Basslink's control and protection systems. Basslink's revised proposal removed capex previously forecast for the 2026–30 period relating to these upgrades and instead proposes to include them as a contingent project.
  - An additional $3.7 million for software and IT system changes to integrate Basslink into AEMO's IT systems as a regulated interconnector.

Further detail on these updated capex estimates is in section 3.6.

3.2.3 Submissions on our draft decision and Basslink's revised proposal

On Basslink's revised proposal re-instating conversion application costs in its proposed opening asset value, the Tasmanian Government submitted:[52]

> *the Tasmanian Government considers that this is business decision by the interconnector owner, and these costs should be borne by equity owners, rather than electricity customers. These costs should form neither part of the regulated asset base of the interconnector, or recoverable operating costs.*

The Tasmanian Small Business Council agreed with the Tasmanian Government that costs incurred by Basslink in pursuing its transition to regulated status are a commercial decision of the asset owner that should not be funded by electricity customers.[53]

Save Our Surroundings Riverina submitted that our draft decision estimate of Basslink's opening asset value lacked engineering verification of the physical condition of Basslink's assets.[54]

The Tasmanian Minerals Manufacturing and Energy Council questioned the prudency and efficiency of Basslink's proposed asset value of $742 million, noting that the value for a

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52 Tasmanian Government, *Submission on APA's Revised Revenue Proposal for Basslink*, December 2025, p 3.

53 Tasmanian Small Business Council, *Submission on APA's Revised Revenue Proposal for Basslink*, December 2025, p 3.

54 Save Our Surroundings Riverina, *Submission on APA's Revised Revenue Proposal*, December 2025, p 1.

single cable compares unfavourably to TasNetworks' $1.78 billion asset value for the entire Tasmanian transmission network.[55]

3.2.4 Our final decision

Our final decision opening RAB value of $744.6 million is $1.9 million higher than Basslink's revised proposal.[56] The higher opening RAB value is due to an updated inflation rate for 2025–26, updated from the placeholder value of 2.72% used in our draft decision to our final decision inflation rate of 3.63% (based on the December 2025 Consumer Price Index). Had actual inflation matched our placeholder, the opening RAB value would have been $4.8 million lower than Basslink's revised proposal.

Our final decision on the opening RAB value reflects a measure of Basslink's depreciated actual cost, and is estimated using the same methodology for estimating depreciated actual cost as used in our draft decision and by Basslink in its revised proposed value. However, we have updated some of the inputs used in this methodology.

We accept Basslink's revised proposal to apply a nominal rate of return to each year's capital expenditure during Basslink's 2000 to 2006 construction phase to appropriately account for financing costs incurred. This ensures a consistent approach of applying a nominal rate of return to account for financing costs on the capital expenditure incurred in both the construction period of 2000 to 2006 and the in-service period from 2006 to 2026.

Basslink's proposed nominal rate of return is based on the rate of return parameters estimated in our draft decision, but reflects a combination of our estimates of the real rate of return and expected inflation. In this final decision we have used a nominal rate of return that reflects a combination of our real rate of return and actual inflation. This is consistent with our standard approach applied in our RAB Roll-Forward Model to include inflation compensation based on actual inflation rather than inflation expectations.

We do not accept Basslink's revised proposal to include in its opening asset value costs of its conversion application. We remain of the view set out in our draft decision that these costs do not create an asset that provides a service to consumers. Further detail on our assessment of these costs is in section 3.6.

We accept Basslink's updated estimates of capital expenditure to be incurred and commissioned in 2025–26. As set out in section 3.6 and section 5 of this decision and in our draft decision, we accept the need for Basslink to upgrade its control and protection systems and accept Basslink's proposed contingent project. We consider it prudent and efficient to undertake front-end engineering and design on this project in 2025–26 and accept Basslink's revised capex forecast. We also consider Basslink's revised capex forecast for software and IT systems upgrades to prepare Basslink to operate as a regulated TNSP is prudent and

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55 Tasmanian Minerals Manufacturing and Energy Council, *Submission on APA's Revised Revenue Proposal for Basslink*, December 2025, p 2.

56 The post-tax revenue model (PTRM) for Basslink's 2026–30 regulatory control period, published alongside our final decision, presents our determination of the opening value and remaining lives at 1 July 2026 for each of Basslink's asset classes.

efficient. We note that Basslink is required to pay participant fees to AEMO to fund related upgrades, which make up over 75% of Basslink's forecast IT capex.[57]

On the physical condition of Basslink's assets, we have had regard to Amplitude Consultants' asset condition report for Basslink. Amplitude Consultants found that, based on the historical performance and current operating regime, the condition of the cable is considered typical for its age, technology and voltage rating.[58]

On the size of Basslink's opening asset value relative to the Tasmanian transmission network, we note that our approach to determining Basslink's opening asset value involves consideration of other more efficient alternative assets that may be lower cost than Basslink's depreciated actual cost. We did not consider there to be lower cost assets, including additional investment in transmission and generation in Tasmanian, that could provide credible alternative services to the Basslink interconnector at a lower cost.[59]

3.3 Regulatory asset base

The value of the RAB is used to determine the return on capital and regulatory depreciation building blocks. It substantially impacts Basslink's revenue, and the price consumers ultimately pay. Other things being equal, a higher RAB would increase both the return on capital and regulatory depreciation components of the revenue determination.

3.3.1 Forecast closing RAB as at 30 June 2030

Once we have determined the opening RAB as at 1 July 2026, we roll it forward by adding forecast capex and expected inflation, and reduce it by depreciation, to arrive at a forecast closing value as at the end of the 2026–30 period.[60]

Our final decision determines a forecast closing RAB value at 30 June 2030 of $640.0 million ($ nominal) for Basslink. This is $6.1 million (1.0%) higher than Basslink's proposal of $633.9 million. This forecast closing RAB reflects our final decisions on the opening RAB (section 3.2), expected inflation rate (section 3.4) and forecast depreciation (section 3.5).

Table 2 sets out our final decision on the forecast RAB for Basslink over the 2026–30 period.

Table 2 Final decision on Basslink's RAB for the 2026–30 period ($ million, nominal)

	2026–27	2027–28	2028–29	2029–30
Opening RAB	744.6	729.5	701.8	672.1

57 Cl.2.11 of the National Electricity Rules.

58 Amplitude Consultants, *Basslink Condition Assessment, Attachment 1.1 to Basslink's Transmission Revenue Proposal*, 6 September 2023, p iv.

59 In coming to this view we considered market modelling undertaken by EY for Basslink, by Marinus Link in its RIT-T, and by AEMO in its Integrated System Plan. In all cases this market modelling found that additional investment in the Tasmanian transmission network, with or without additional generation in Tasmania, would not be a lower cost alternative to interconnector services between Tasmania and Victoria. See p.34 of our Draft Decision.

60 NER, cl. S6A.2.4.

	2026–27	2027–28	2028–29	2029–30
Capital expenditure[a]	11.5	1.1	1.4	1.2
Inflation indexation on opening RAB	19.6	19.2	18.5	17.7
Less: straight-line depreciation[b]	46.3	48.1	49.5	51.1
Closing RAB	**729.5**	**701.8**	**672.1**	**640.0**

Source: AER analysis.

(a) As-incurred, and net of forecast disposals. In accordance with the timing assumptions of the post-tax revenue model (PTRM), the capex includes a half-year WACC allowance to compensate for the six-month period before capex is added to the RAB for revenue modelling.

(b) Based on as-commissioned capex.

Figure 3 shows the 2026–30 forecast RAB for Basslink's proposal and our final decision, while Figure 4 shows the key drivers of change in our final decision compared to its revised proposal. In nominal terms, our final decision projects a reduction of $104.6 (14.0%) to the RAB by the end of the 2026–30 period compared to the $108.7 million (14.6%) reduction in Basslink's revised proposal. We have determined a projected closing RAB of $640.0 million ($ nominal) as at 30 June 2030, which is $6.1 million (1.0%) higher than Basslink's revised proposal of $633.9 million. This higher value is mainly due to our final decision on a lower regulatory depreciation (discussed in section 3.5).

In nominal terms, the closing RAB at the end of the 2026–30 period is forecast to be 14.0% lower than the opening RAB at the start of the period. Approved forecast net capex and expected inflation increase the RAB by 2.0% and 10.1%, respectively, while forecast depreciation reduces the RAB by 26.2%.

Figure 3 Basslink's revised proposal and AER's final decision 2026–30 forecast RAB ($ million, nominal)

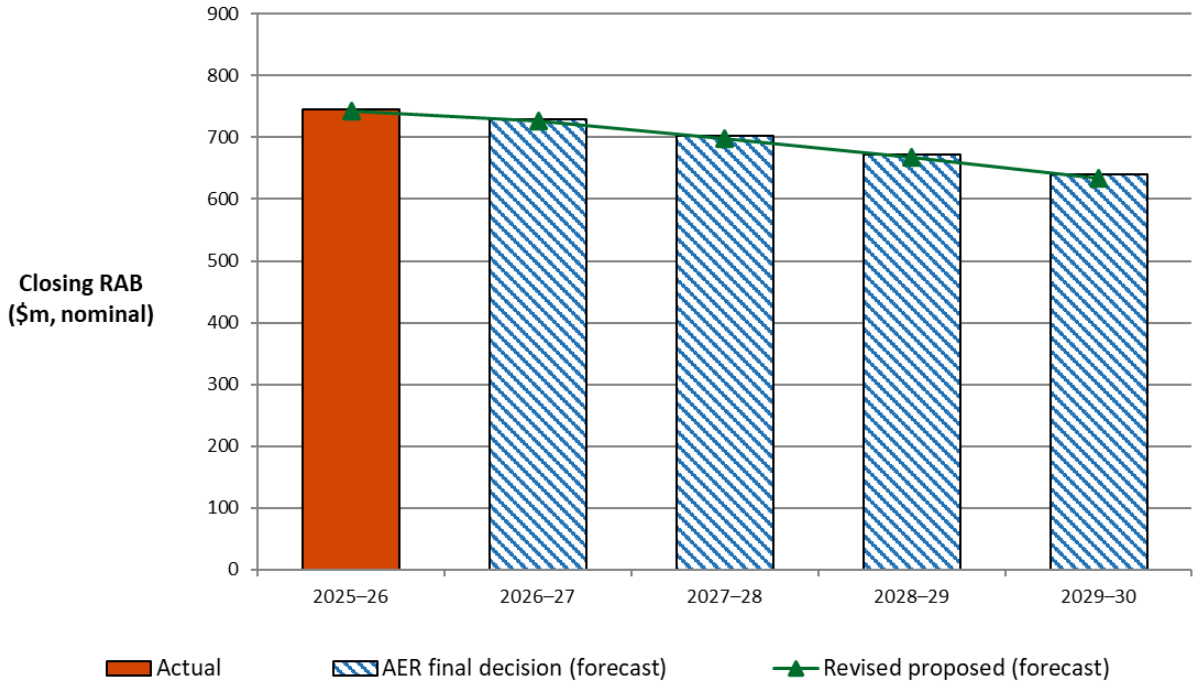
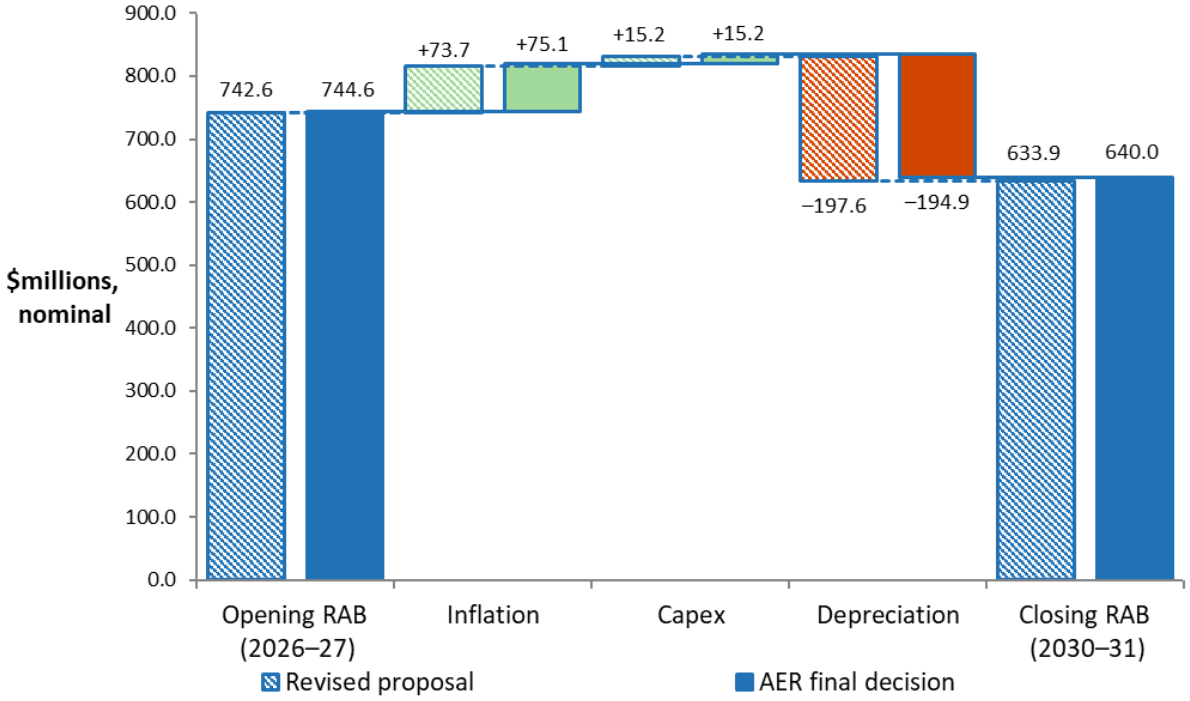


Figure 4 Key drivers of change in the RAB over the 2026–30 period – proposal compared with AER's final decision ($ million, nominal)



Source: AER analysis.
Note: Capex is net of forecast disposals. It is inclusive of the half-year WACC to account for the timing assumptions in the PTRM.

3.3.2 Application of depreciation approach in RAB roll forward for the 2030–35 revenue determination

When we roll forward Basslink's RAB for the 2026–30 period at the next (2030–35) revenue determination, we must adjust for depreciation. Our final decision is to roll forward the RAB to establish Basslink's opening RAB at the commencement of the 2030–35 period using depreciation schedules (straight-line) based on forecast capex at the asset class level approved for the 2026–30 period.[61] This is consistent with Basslink's proposal to apply the forecast depreciation approach in the roll forward of its RAB for the commencement of the 2030–35 period.[62]

As discussed in section 4, we will also apply the CESS to Basslink for the 2026–30 period. We consider that the CESS will provide sufficient incentives for Basslink to achieve capex efficiency gains over that period. We are satisfied that the use of a forecast depreciation approach in combination with the application of the CESS and our other ex-post capex measures are sufficient to achieve the capex incentive objective.[63]

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61 We must decide whether depreciation for establishing the RAB for the following regulatory control period is to be based on actual or forecast capital expenditure: NER, cl. 6A.14.1(5E).

62 APA, *Basslink Transmission Revenue Proposal* , 15 September 2023, p 150.

63 Our ex-post capex measures are set out in the capex incentives guideline, AER, *Capital expenditure incentive guideline for electricity network service providers*, August 2025, pp 18–27. The guideline also sets out how all our capex incentive measures are consistent with the capex incentive objective.

3.4 Rate of return and value of imputation credits

The AER's 2022 Rate of Return Instrument (RORI) sets out the approach we will use to estimate the return on debt, the return on equity and the overall rate of return.[64]

The return each network business is to receive on its RAB, known as the 'return on capital', is a key driver of proposed revenues. We calculate the regulated return on capital by applying a rate of return to the value of the RAB.

We estimate the rate of return by combining the returns of the two sources of funds for investment: equity and debt. The allowed rate of return provides the network business with a return on capital to service the interest on its loans and give a return on equity to investors.

The estimate of the rate of return is important for promoting efficient prices in the long term interests of consumers. If the rate of return is set too low, the network business may not be able to attract sufficient funds to be able to make the required investments in the network and reliability may decline. Conversely, if the rate of return is set too high, the network business may seek to spend too much and consumers will pay inefficiently high tariffs.

We are required by the NEL to apply the RORI to estimate an allowed rate of return.[65] For this final decision, we have applied the 2022 RORI.[66]

Basslink's revised proposal adopted the 2022 RORI.[67] Our final decision rate of return of 6.77% (nominal vanilla) is slightly higher than the 6.73% placeholder in the revised proposal, due to an increase in the risk-free rate.

Our calculated rate of return in Table 3 applies to the first regulatory year of the 2026–30 period. A different rate of return may apply for the remaining years of the 2026–30 period. This is because we will update the return on debt component of the rate of return each year, in accordance with the 2022 RORI.

Since this is Basslink's first regulatory determination, it will begin a transition period where its first year's return on debt will be estimated using the first year's averaging period. In subsequent years, only 10% of the return on debt will be calculated from the most recent averaging period and 90% from prior periods.

64 AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

65 NEL, section 18H. The *2022 Rate of Return Instrument* was amended in March 2024. See the Rate of Return Instrument 2022.

66 AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

67 APA, *Basslink - 1. Revised Revenue Proposal*, November 2025, p 15.

Our final decision accepts Basslink's proposed risk-free rate[68] and debt averaging periods[69] because they are consistent with the 2022 RORI.[70] For this final decision, we adopt the confidential appendix setting out the averaging periods issued with our draft decision.[71]

Table 3 Final decision on Basslink's rate of return (nominal)

	AER's draft decision (2026–30)	Basslink's revised proposal (2026–30)	AER's final decision (2026–30)	Allowed return over the regulatory control period
Nominal risk-free rate	4.36%	4.36%[a]	4.46%[b]	Constant (%)
Market risk premium	6.20%	6.20%	6.20%	Constant (%)
Equity beta	0.6	0.6	0.6	Constant
Return on equity (nominal post-tax)	8.08%	8.08%	8.18%	Constant (%)
Return on debt (nominal pre-tax)	5.83%	5.83%	5.83%[c]	Updated annually
Gearing	60%	60%	60%	Constant (60%)
Nominal vanilla WACC	6.73%	6.73%	6.77%	Updated annually for return on debt
Expected inflation	2.55%	2.60%	2.64%	Constant (%)

Source: AER analysis; AER, *Draft Decision - Basslink Electricity Transmission Determination 2026 to 2030 – Overview*, September 2025, p 16; APA, *Basslink - Attachment 1 - Revised Proposal PTRM*, November 2025.

(a) Basslink stated that it applied the 2022 RORI; however, it did not provide a breakdown of the inputs used to estimate the return on equity. As Basslink only provided the resulting return on equity, we back-calculated the implied risk-free rate consistent with the 2022 RORI.

(b) Calculated using Basslink's risk-free rate averaging period of 20 business days from 3 November 2025 to 28 November 2025.

(c) Calculated using Basslink's actual debt averaging period.

3.4.1 Debt and equity raising costs

In addition to providing for the required rate of return on debt and equity, we provide an allowance for the transaction costs associated with raising debt and equity. We include debt raising costs in the operating expenditure (opex) forecast because these are regular and ongoing costs which are likely to be incurred each time service providers refinance their debt. On the other hand, we include equity raising costs in the capital expenditure (capex) forecast

68 AER, *Basslink Electricity Transmission Determination 2026 to 2030 - CONFIDENTIAL APPENDIX E - Equity and debt averaging periods*, September 2025, pp 1–2.

69 AER, *Basslink Electricity Transmission Determination 2026 to 2030 - CONFIDENTIAL APPENDIX E - Equity and debt averaging periods*, September 2025, p 2.

70 AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

71 AER, *Basslink Electricity Transmission Determination 2026 to 2030 - CONFIDENTIAL APPENDIX E - Equity and debt averaging periods*, September 2025.

because these costs are incurred once and would be associated with funding particular capital investments. Our approach to forecasting capital raising costs is set out in more detail in previous AER revenue determinations (for example, see our 2025–30 *Directlink Electricity Transmission Determination* final decision).[72]

Our final decision accepts Basslink's proposed opex including debt raising costs, as set out in section 3.7 below.

We have updated our estimate for the 2026–30 period based on the benchmark approach using updated inputs. This results in zero equity raising costs.

3.4.2 Imputation credits

Our final decision applies a value of imputation credits (gamma) of 0.57, as set out in the 2022 RORI.[73] Basslink's revised proposal adopted the same value.[74]

3.4.3 Expected inflation

As set out in Table 4, our estimate of expected inflation for the 2026–30 period is 2.64%. It is an estimate of the average annual rate of inflation expected over a four-year period based on the outcome of our 2020 Inflation Review.[75] Basslink's revised proposal also adopted our approach.[76]

Table 4 Final decision on Basslink's forecast inflation (%)

	Year 1	Year 2	Year 3	Year 4	Geometric average
Expected inflation	2.90%	2.60%	2.55%	2.50%	2.64%

Source: AER Analysis; RBA, *Statement on Monetary Policy*, February 2026, Table 3.1: Forecast Table. See the *Statement on Monetary Policy*.

Our final decision uses the Reserve Bank of Australia's (RBA) February 2026 *Statement on Monetary Policy* which contains a consumer price index forecast for the financial years ending 30 June 2027 and 30 June 2028. This means the first two years of the 2026–30 period are based on RBA forecasts and, thereafter, a linear glide path from year three to the mid-point of the RBA's inflation target band of 2.5% in year four.

Figure 5 isolates the impact of expected inflation from other parts of our final decision to illustrate its effect on the return on capital and regulatory depreciation building blocks, and the total revenue allowance. Where all other elements are held constant, lower expected inflation reduces the return on capital, but increases regulatory depreciation.

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72 AER, *Final decision - Attachment 3 - Rate of Return - Directlink Electricity Transmission Determination 2025 to 2030*, September 2024, pp 4–6.

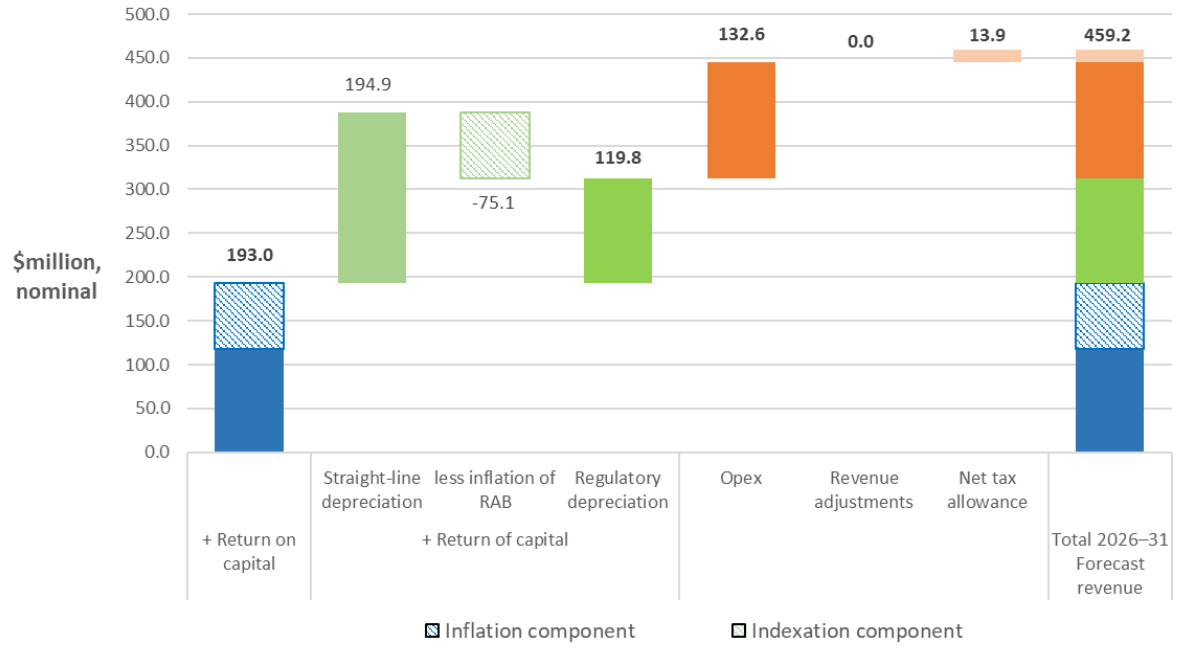
73 AER, *Rate of Return Instrument (version 1.2)*, February 2023, cll. 27.

74 APA, *Basslink - Attachment 1 - Revised Proposal PTRM*, November 2025.

75 AER, *Final position paper - Regulatory treatment of inflation*, December 2020.

76 APA, *Basslink - Attachment 1 - Revised Proposal PTRM*, November 2025.

Figure 5 Inflation components in final decision revenue building blocks ($ million, nominal, unsmoothed)



Source: AER analysis.

3.5 Regulatory depreciation

Depreciation is the amount provided so capital investors recover their investment over the economic life of the asset (return of capital). In deciding whether to approve the depreciation schedules submitted by Basslink, we make determinations on the indexation of the RAB and depreciation building blocks for Basslink's 2026–30 period.[77]

Our final decision is to determine a regulatory depreciation amount of $119.8 million ($ nominal) for Basslink for the 2026–30 period. This is $4.1 million (3.3%) lower than Basslink's revised proposal of $123.9 million.[78] The key reason for this reduction is as part of establishing the opening RAB as at 1 July 2026, we have reduced the opening value for the 'Other' asset class. This asset class has a short remaining asset life of 4.8 years, resulting in most of the impact of this reduction of the opening RAB being observed within the 2026–30 period as lower straight-line depreciation. The regulatory depreciation is further reduced due to our final decision to slightly increase the opening RAB as at 1 July 2026 as well as the expected inflation, which results in a higher indexation of the RAB.

The regulatory depreciation amount is the net total of the straight-line depreciation, less the inflation indexation of the RAB. Straight-line depreciation is impacted by our decision on Basslink's opening RAB as at 1 July 2026[79] and asset lives. Our final decision straight-line depreciation for Basslink is $2.7 million lower than its revised proposal.

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77 Under cll. 6A 5.4(a)(1) and (3) of the NER, indexation of the RAB and depreciation are specified as building blocks for a TNSP's annual revenue requirement.

78 APA, *Basslink - Attachment 1 - Revised Proposal PTRM*, November 2025.

79 See section 3.2.

RAB indexation is impacted by our decision on Basslink's opening RAB[80] and the expected inflation rate.[81] Our final decision indexation on Basslink's forecast RAB is $1.4 million higher than its revised proposal, largely due to a higher opening RAB at 1 July 2026. This higher indexation further reduces regulatory depreciation (since indexation is deducted from the straight-line depreciation).

Table 5 sets out our final decision on the forecast regulatory depreciation amount for Basslink over the 2026–30 period.

In coming to this final decision on Basslink's regulatory depreciation, we accept the revised proposal on the following elements:

- Straight-line method to calculate the regulatory depreciation.
- Application of the weighted average remaining life (WARL) approach to implement straight-line depreciation of existing assets.
- Asset classes and standard asset lives.

Table 5 Final decision on Basslink's regulatory depreciation for the 2026–30 period ($ million, nominal)

	2026–27	2027–28	2028–29	2029–30	Total
Straight-line depreciation	46.3	48.1	49.5	51.1	194.9
Less: inflation indexation on opening RAB	19.6	19.2	18.5	17.7	75.1
Regulatory depreciation	**26.6**	**28.8**	**31.0**	**33.3**	**119.8**

Source: AER analysis.

3.5.1 Weighted average remaining life approach

For this final decision, we accept Basslink's proposal to apply the WARL method as set out in the RFM to calculate the remaining asset lives at 1 July 2026. We consider this approach meets the requirements for determining depreciation under the NER.[82] In accepting the WARL method, we have updated Basslink's remaining asset lives to reflect our adjustments to the RFM (section 3.1). This is because some of the inputs in the RFM, such as capex and actual inflation, affect the value of assets in the RAB and in turn, the calculation of the remaining asset lives as at 1 July 2026. Our final decision PTRM sets out the approved remaining asset lives as at 1 July 2026.

3.5.2 Standard asset lives

Our final decision is to accept Basslink's revised proposal standard asset lives used to depreciate its forecast capex for the 2026–30 period, as it is consistent with our draft

80 See section 3.2.

81 See section 3.4.

82 NER, cl. 6A.6.3(b).

decision standard asset lives. This is reflected in our final decision post-tax revenue model (PTRM).

We are satisfied that:[83]

- the standard asset lives and depreciation approach more broadly would lead to a depreciation schedule that reflects the nature of the assets over the economic lives of the asset classes, and
- the sum of the real value of the depreciation attributable to the assets is equivalent to the value at which the assets are first included in the RAB for Basslink in this regulatory determination.

Our final decision PTRM sets out the approved standard asset lives for the 2026–30 period for Basslink.

3.6 Capital expenditure

Capital expenditure (capex)—the capital costs and expenditure incurred in the provision of network services—mostly relates to assets with long lives, the costs of which are recovered over the life of those assets. Forecast capex directly affects the size of the capital base and the revenue generated from the return on capital and depreciation building blocks.

The following sections outlines our assessment of Basslink's proposed total capex forecast for the 2026–30 period.

3.6.1 Our draft decision

We included net capex of $99.3 million ($2025–26)[84] for the 2026–30 period in our draft decision. This was 3.2% below Basslink's forecast and included a placeholder for replacement of the control and protection system ($84.4 million)[85], where we requested more information in relation to the costs and timing in the revised proposal.

We did not include $1.7 million[86] for program management and consultation, which is Basslink's estimated cost of preparing its regulatory proposal for the next regulatory control period. This is because we did not consider these costs meet the definition of an asset. We did not include components of the Physical Security and Natural Hazards proposal ($0.6 million[87]) that we considered were not justified by Basslink's risk assessment underpinning the proposed works.

3.6.2 Basslink's revised proposal

Basslink included $14.4 million ($2025–26) of net capex for the 2026–30 period. For all capex categories other than control and protection system (CPS) replacement capex, Basslink accepted our draft decision. CPS replacement capex was included as a placeholder

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83 Under cll. 6A.6.3(b)(1) and (2) of the NER, we must be satisfied as to these matters when setting depreciation schedules.

84 $95.8 million ($2024–25).

85 $81.9 million ($2024–25).

86 $1.6 million ($2024–25).

87 $0.5 million ($2024–25).

in our draft decision because we had insufficient information to form a view on its prudency and efficiency. As such, Basslink removed it from its capex forecast in its revised proposal and instead proposed it as a contingent project (see section 5 below).

3.6.3 Our assessment approach

Under the NER, Basslink must include a total forecast of the capex for the relevant regulatory control period that it considers is required to meet or manage expected demand, maintain the safety, reliability, quality, security of its network, comply with all applicable regulatory obligations and contribute to achieving emissions reduction targets (the capex objectives).[88]

We must decide whether or not we are satisfied that Basslink's capex forecast reasonably reflects prudent and efficient costs of achieving the capex objectives and a realistic expectation of future demand and cost inputs (the capex criteria).[89] If we are not satisfied, we must set out the reasons for this decision and a substitute estimate of the total capex for the regulatory control period that we are satisfied reasonably reflects the capex criteria, taking into account the capex factors.[90] We must make our decision in a manner that will, or is likely to, deliver efficient outcomes in terms of price, quality, safety, reliability and security of supply, and to achieve jurisdictional targets for reducing Australia's greenhouse gas emissions that benefit consumers in the long term (as required under the NEO).[91]

3.6.4 Efficiency and prudency of capex between 2022–23 and 2025–26

As per section 3.2, the opening RAB is calculated using the depreciated actual cost of its assets.[92] This calculation includes actual capex for 2000–01 to 2024–25, and estimated capex for 2025–26.

Under the NER, the AER must determine the value of the regulatory asset base for the Basslink transmission system by applying the 'previous regulatory approach' adopted in decisions regarding the Murraylink and Directlink transmission systems.[93] However, the AER must, when exercising any discretion in relation to determining the value of the regulatory asset base, have regard to the prudent and efficient value of the assets that are used to provide prescribed transmission services, by reference to certain matters specified in the NER.[94] One of these matters is whether Basslink undertook the capital expenditure in a manner consistent with good business practice and so as to practicably achieve the lowest sustainable cost of delivering the prescribed transmission services to be provided as a consequence of that capital expenditure.[95]

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88 NER, cl. 6A.6.7(a).

89 NER, cl. 6A.6.7(c).

90 NER, cl. 6A.14.1(2)(ii).

91 National Electricity Law (NEL), s.16(1)(a). The NEO is set out in s. 7 of the NEL.

92 AER, *Basslink – Electricity Transmission Determination 2026 to 2030 – Attachment 1 – Opening Regulatory Asset Base,* September 2025, p 5.

93 NER, cll.11.6.20(d)-(f).

94 NER, cl.11.6.20(g).

95 NER, cll. 11.6.20(g)(2) and S6A.2.2(4).

In our draft decision we did not include Basslink's capex for the conversion application ($1.7 million in 2022–23, $1.6 million in 2023–24, $1.4 million in 2024–25 ($ nominal)). Basslink described this as the costs incurred to prepare the conversion application and the revenue proposal. It proposed the capex be included on the basis that it is directly linked to future revenue and therefore capex as per Australian Statement of Accounting Concepts 4 (SAC 4). We assess that the conversion application and revenue proposal capex do not meet the SAC 4 requirements of an asset. We also made adjustments to amounts included in 2025–26 for Minor Plant and Equipment and security upgrades to the Loy Yang and Georgetown buildings (classified as Building Installation).[96]

In its revised proposal Basslink:

- Accepted the adjustments to Minor Plant and Equipment and Building Installation.
- Reproposed the conversion application capex for 2022–25.
- Increased the CPS replacement capex in 2025–26 by $4.8 million for a scoping study and reservation of the manufacturing slot for the CPS project.
- Included $3.7 million in 2025–26 for Conversion to TNSP capital works. This is for software and IT system changes for both Basslink and AEMO in order to integrate Basslink into AEMO's IT systems as a regulated interconnector.

Our final decision is to include the additional amounts for the CPS replacement and the capex for the Conversion to TNSP capital works, but not to include the conversion application and revenue determination proposal capex for 2022–25. The reasons for our final decision are set out below.

CPS replacement

Basslink submitted that the CPS replacement will cost $10.0 million, consisting of $5.0 million for a front-end engineering and design (FEED) study to be undertaken in order to scope the CPS/Human Machine Interface (HMI) replacement, and $5.0 million to secure a manufacturing slot in 2029.[97] Basslink submitted that of this $10 million, $5.3 million was already included in estimated capex for 2025–26 in our draft decision, and proposed an additional $4.8 million estimated to be incurred in 2025–26.

We consider that this is prudent and efficient as the FEED study will form the basis of the contract for the CPS replacement works. The CPS replacement is required for Basslink to function and thereby maintain the quality, reliability and security of supply of prescribed transmission services.[98] Theres is a high demand for HVDC works and hence manufacturers are requiring a deposit to secure a manufacturing slot. We consider that without paying this deposit it is likely that Basslink would not be able to secure a manufacturing slot until the 2030–35 regulatory control period, which increases the risks associated with obsolescence. For these reasons we have included this expenditure in our estimate of the opening RAB.

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96 AER, *Draft decision on Basslink electricity transmission determination 2026–30, Attachment 2 – Capital Expenditure, 2025*, pp 21-22.

97 APA, *Basslink - 1. Revised Revenue Proposal, November 2025*, p 21.

98 NER cl. 6A.6.7(a)(3)(iii). See our discussion in section 5 where we discuss the CPS replacement contingent project application.

Conversion to TNSP capital works

Basslink submitted that when it becomes a regulated TNSP from 1 July 2026, 'the MNSP connection point id's (DUID) that receive dispatch targets based on bids will no longer have any bids to formulate a dispatch target. The Basslink line will need to be transitioned to a regulated line in the dispatch engine NEMDE and targets sent out based on Basslink's configuration'.[99] This requires system and software changes to be carried out by both Basslink and AEMO to integrate Basslink into AEMO's systems as a regulated interconnector.

Basslink provided a cost breakdown of the $3.7 million, which appears reasonable. We consider that this capex is required to enable AEMO to schedule Basslink's transmission services between Victoria and Tasmania. As such it is required to meet or manage the expected demand for prescribed transmission services over that period and to comply with all applicable regulatory obligations or requirements associated with the provision of prescribed transmission services.[100] On this basis, we have included this amount in our estimate of the opening RAB.

Conversion application

In reproposing the conversion application ($1.7 million in 2022–23, $1.6 million in 2023–24, $1.4 million in 2024–25 ($ nominal)) capex, Basslink submitted that:[101]

> *'[w]hilst we accept the AER's draft decision that regulatory reset costs are to be treated as an operating expense on a forward looking basis, the historic costs incurred for years 2022–23, 2023–24 and 2024–25 were correctly capitalised in our statutory accounts and are not included in the operating expenditure base year. … Given these costs were prudently and efficiently incurred and correctly recorded, Basslink should have the opportunity to recover them given it has been demonstrated that the conversion of Basslink is in consumers interest'.*

Basslink stated that the costs incurred for the regulatory reset and conversion meets the definition of an intangible asset under AASB 138, as they provide a legal right to charge regulated revenue from 1 July 2026 and they can be reliably measured and are clearly linked to Basslink's conversion and revenue determination.[102] Basslink provided the PwC advice which it relied on for this view and which was submitted by APA in the Directlink 2020–25 revenue determination process.[103]

In the Directlink determination, Directlink initially proposed $0.3 million ($2019–20) in capex and $0.25 million ($2019–20) in opex for transmission determination costs. These costs were for the use of external consultants and experts associated with establishing the stakeholder engagement over the next transmission determination period.[104] In our draft decision we

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99 APA, *Basslink - 1. Revised Revenue Proposal, November 2025*, p 22.

100 NER cl. 6A.6.7(a)(1),(2).

101 APA, *Basslink - 1. Revised Revenue Proposal, November 2025*, p 21.

102 APA, *Basslink – Attachment 6 – Historic Capitalisation of Regulatory Reset Costs*, November 2025, p 2.

103 APA, *Basslink - Attachment 6.1 - PwC - Capitalisation advice*, November 2025.

104 Directlink, *Revenue Proposal 2020–25*, 31 January 2019, p 76.

stated that we consider that these costs have the characteristics of operating expenditure.[105] Our view was that these costs are unlikely to attract any future economic benefits and are better recognised as opex rather than capex, consistent with the accounting standard AASB116 Property, Plant and Equipment. We considered that stakeholder engagement is a business-as-usual activity that Directlink should consider within its base opex.[106] Directlink reproposed the costs as capex stating:

> *'Transmission Determination expenditure is directly associated with Directlink being able to demonstrate the compliance with the obligations of the National Electricity Rules, in particular to demonstrate compliance and consistency with rule 6A.6.6 and 6A.6.7'.*

It referred to the PwC advice (the same advice provided in the Basslink revised proposal) stating:

> *'the major types of costs incurred by Energy Infrastructure Investments ("EII") to prepare the proposal of its Transmission Determination to the Australian Energy Regulator ("AER") for price determination are directly attributable costs incurred to obtain a legal right which satisfies the definition and recognition criteria in accordance with AASB 138 Intangible assets (AASB 138). Therefore these costs, where incremental and directly attributable, can be capitalised as the initial cost of an intangible asset being a legal right to charge at agreed prices'.*

In our final decision we stated:

> *Consistent with our draft decision, we remain of the view that costs associated with Directlink's regulatory reset are likely to have the characteristics of operating expenditure. We acknowledge PwC's assessment of the nature of this expenditure for accounting purposes under accounting standard AASB 138 Intangible assets, though we note that categories of expenditure may be subject to different treatment in a regulatory versus accounting context.*

We continue to be of the view that the conversion application and transmission revenue determination costs do not meet the definition of an asset (intangible or tangible).

In applying to convert from a market network service provider to a transmission network service provider, Basslink sought the AER's determination for the market network service currently provided by Basslink to be a prescribed transmission service.[107] We determined that Basslink could provide the former market network service as a prescribed transmission service. The consequences of this decision are that Basslink is required to change its operations and revenue framework to align with the regulated status of the service provision.

From a statutory accounting viewpoint, we consider that this change is unlikely to create a new intangible asset as it is unlikely to meet the three required criteria; it is identifiable[108],

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105 AER, *Directlink 2020–25 – Draft decision – Attachment 5 – Capital expenditure*, October 2019, p 5–24.

106 AER, *Directlink 2020–25 – Draft decision – Attachment 6 – Operating expenditure*, October 2019, pp 6–16.

107 NER cl. 6A.9.1

108 AASB 138, para 12.

within the business' control[109] and provides probable, expected future economic benefits from the (intangible) asset to the business.[110]

PwC relied upon the REACH example – whereby a chemical cannot be manufactured or imported prior to registration being granted, that is, the chemical could not be sold until after it is registered. The entity could only obtain the future economic benefits from the sale of the chemicals by obtaining the registration of the chemical. By contrast, Basslink was providing interconnector services as a market network service provider and from 1 July 2026, when it could become a regulated transmission network service provider, will provide the same interconnector services, but under a regulated framework.

In our Directlink decision, we stated that the regulatory treatment of these costs may differ from the statutory accounting treatment. Consistent with our Directlink decision we have not included these costs in the RAB on the basis that it is not in the long term interests of consumers and therefore not consistent with the NEO. Further, these costs do not meet the capex objectives or criteria[111] in that these costs will not contribute to the provision of prescribed transmission services.

We consider the cost of conversion and the revenue determination costs are operating costs that should be borne by APA Group's equity holders. APA Group purchased the asset as a market service network provider and then made a commercial decision to seek conversion. We consider that electricity consumers should not be required to pay for the operating costs of implementing that commercial decision.

The Tasmanian Small Business Council and the Tasmanian Government concurred with this sentiment, submitting that the costs incurred by Basslink in pursuing its transition to regulated status are a commercial decision of the asset owner, and as such should be borne by equity owners. They stated that these costs should not be included in the regulated asset base nor recovered from electricity customers.[112]

For these reasons we have not included these costs in our alternative estimate of the opening RAB.

3.6.5 Final decision

Our final decision is to accept Basslink's forecast net capital expenditure (capex) of $14.4 million ($2025–26) for the 2026–30 period (see Table 6 and Figure 6 below) as we are satisfied that this reasonably reflects the capex criteria set out in the NER.[113] Our alternative estimate is the same as Basslink's proposed net capex, except for a minor difference of $0.017 million, which is due to updated inflation actuals and forecasts.

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109 AASB 138, para 13. 'An entity controls an [intangible] asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits.

110 AASB 138, para 21.

111 NER cll. 6A.6.7(a) and (c).

112 Tasmanian Small Business Council, *Submission on APA Group's Revised Revenue Proposal for Basslink (2026–30)*, December 2025; Tasmanian Government, *APA Group's revised revenue proposal for Basslink's 2026–30 regulatory control period*, December 2025.

113 NER, cl. 6A.6.7(c).

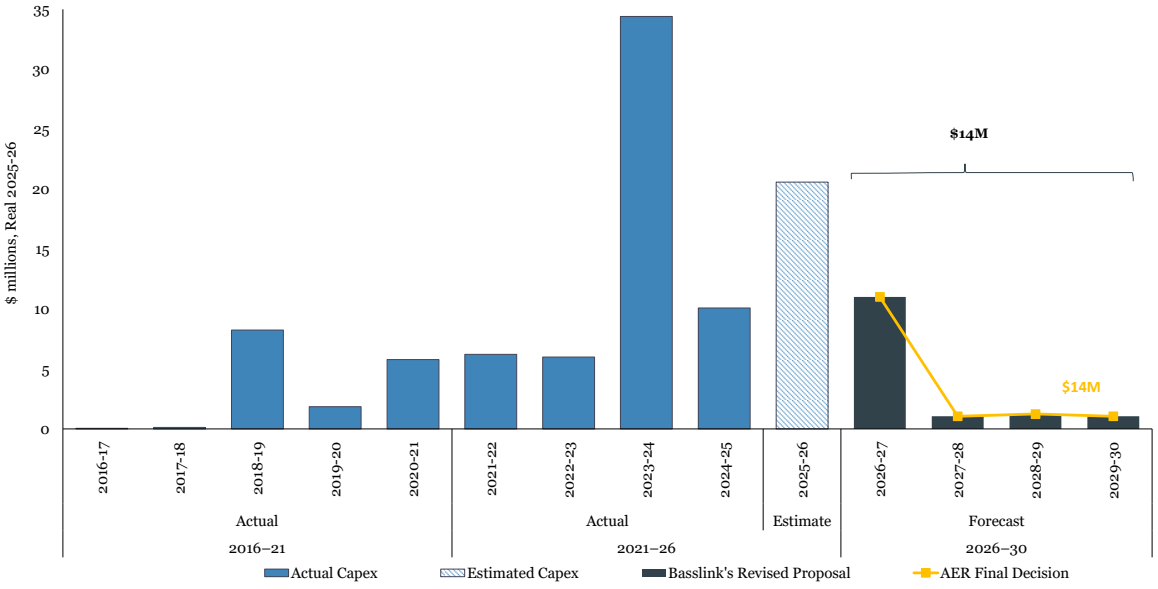
Table 6 Final decision on total forecast transmission net capex ($million, $2025–26)

	2026–27	2027–28	2028–29	2029–30	Total
Basslink proposal	25.0	29.1	30.5	17.9	102.5
AER draft decision	24.3	28.9	29.1	17.0	99.3
Revised Basslink proposal	11.0	1.1	1.2	1.1	14.4
AER's alternative estimate	11.0	1.1	1.2	1.1	14.4
Difference between AER alternative estimate and Revised Proposal ($)[(a)]	0.009	0.002	0.003	0.002	0.017
Percentage difference (%)	0.1%	0.2%	0.2%	0.2%	0.8%

Source: APA, *Basslink Forecast Capex Model – –Post conversion decision v.2.xls*, August 2025; APA, *Basslink - Attachment 3 - Revised Proposal Forecast Capex Model*, November 2025.xls

Note: (a) The difference between Basslink's Revised Proposal and our Alternative Estimate is the application of updated inflation actuals and forecasts.
Numbers may not add up to total due to rounding. Amounts of '0.0' and '–0.0' represent small amount and '–' represents zero.

Figure 6 Historic and forecast capex ($2025-26)



Source: APA, *Basslink Forecast Capex Model – Post conversion decision v.2.xls*, August 2025; APA, *Basslink – Attachment 3 - Revised Proposal Forecast Capex Model*, November 2025.xls; AER analysis.

Table 7 AER final decision – Total forecast capex by project 2026–30 ($ million, $2025–26)

Project	Total forecast capex
Control and protection system	–
Other (DC Reactor refurbishment, spares, minor plant & equipment, program manag.)	2.3
Subsea cable repair strategy	7.5
SoCI	2.9
Physical Security and Natural Hazards	1.1
IT/OT	0.6
Total capex	14.4

Source: AER calculation.

Note: Numbers may not add up due to rounding.

3.7 Operating expenditure

Operating expenditure (opex) refers to the operating, maintenance and other non-capital expenses incurred in the provision of network services. Forecast opex for prescribed transmission services is one of the building blocks we use to determine a service provider's annual total revenue requirement.

The following sections outlines our assessment of Basslink's proposed total opex forecast for the 2026–30 period.

3.7.1 Our draft decision

Our draft decision approved forecast opex of $101.0 million ($2025–26) for the 2026–30 period. This was 15.1% lower than Basslink's proposed opex of $118.9 million. This was based on an adjusted 2021–22 base year, with the reduction in opex largely attributable to our reduction of the proposed step change for insurance costs.

3.7.2 Basslink's revised proposal

Basslink's revised proposal applied a "base-step-trend" approach to forecast opex for the 2026–30 period, consistent with our standard approach.

In applying our base step trend approach to forecast opex, Basslink:[114]

- Used reported opex in 2023–24 as the base from which to forecast ($27.9 million or $111.8 million over the next regulatory control period).

[114] APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025.

- Applied its overall rate of change forecast from 2022–23 to its final year opex estimate, increasing opex by $2.3 million. This reflected price growth of $4.5 million, productivity growth of –$2.1 million, but no amount for output growth.
- Added two step changes totalling $8.4 million for:
  - Frequency Control Special Protection Scheme (hardware) $6.6 million.
  - Regulatory Costs (preparation of the transmission determination proposal) $1.8 million.
- Added $1.5 million of debt raising costs to arrive at a total opex forecast of $124.1 million over the 2026–30 period.

Table 8 Basslink's proposed opex for the 2026–30 period ($ million, $2025–26)

	2026–27	2027–28	2028–29	2029–30	Total
Total Opex, excluding debt	30.0	30.1	31.3	31.1	122.6
Debt raising costs	0.4	0.4	0.4	0.4	1.5
Total Opex, including debt raising costs	30.4	30.5	31.7	31.4	124.1

Source: APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025.
Note: Numbers may not add up to total due to rounding.

3.7.3 Assessment approach

Our role is to decide whether to accept a business's total opex forecast. We are to form a view about whether a business's forecast of total opex 'reasonably reflects the opex criteria'.[115] In doing so, we must have regard to the opex factors specified in the NER.[116]

The *Expenditure forecast assessment guideline* (the Guideline), together with an explanatory statement, sets out our assessment approach in detail.[117] While the Guideline provides for greater regulatory predictability, transparency and consistency, it is not mandatory. However, if we make a decision that is not in accordance with the Guideline, we must state the reasons for departing from the Guideline.[118]

Our approach is to assess the business's forecast opex over the regulatory control period at a total level, rather than to assess individual opex projects. To do so, we develop an alternative estimate of total opex using a 'top-down' forecasting method, known as the 'base-step-trend' approach.[119] We compare our alternative estimate with the business's total opex forecast to form a view on the reasonableness of the business's proposal. If we are satisfied

115 NER, cl. 6A.6.6(c).

116 NER, cl. 6A.6.6(e).

117 AER, *Final decision - Expenditure Forecast Assessment Guidelines – Electricity Transmission*, October 2024,; AER, *Explanatory statement – expenditure forecast assessment guideline*, November 2013; AER, *Final decision and explanatory statement – Expenditure forecast assessment guideline*, October 2024.

118 NER, cl. 6A.2.3(c).

119 A 'top-down' approach forecasts total opex at an aggregate level, rather than forecasting individual projects or categories to build a total opex forecast from the 'bottom up.'

the business's forecast reasonably reflects the opex criteria, we must accept the forecast.[120] If we are not satisfied, we must reject the business's forecast[121] and substitute it with our alternative estimate that we are satisfied reasonably reflects the opex criteria.[122] In making this decision, we take into account the reasons for the difference between our alternative estimate and the business's proposal, and the materiality of the difference. Further, we take into consideration interrelationships between opex and the other building block components of our decision.[123]

Figure 7 summarises the 'base-step-trend' forecasting approach.

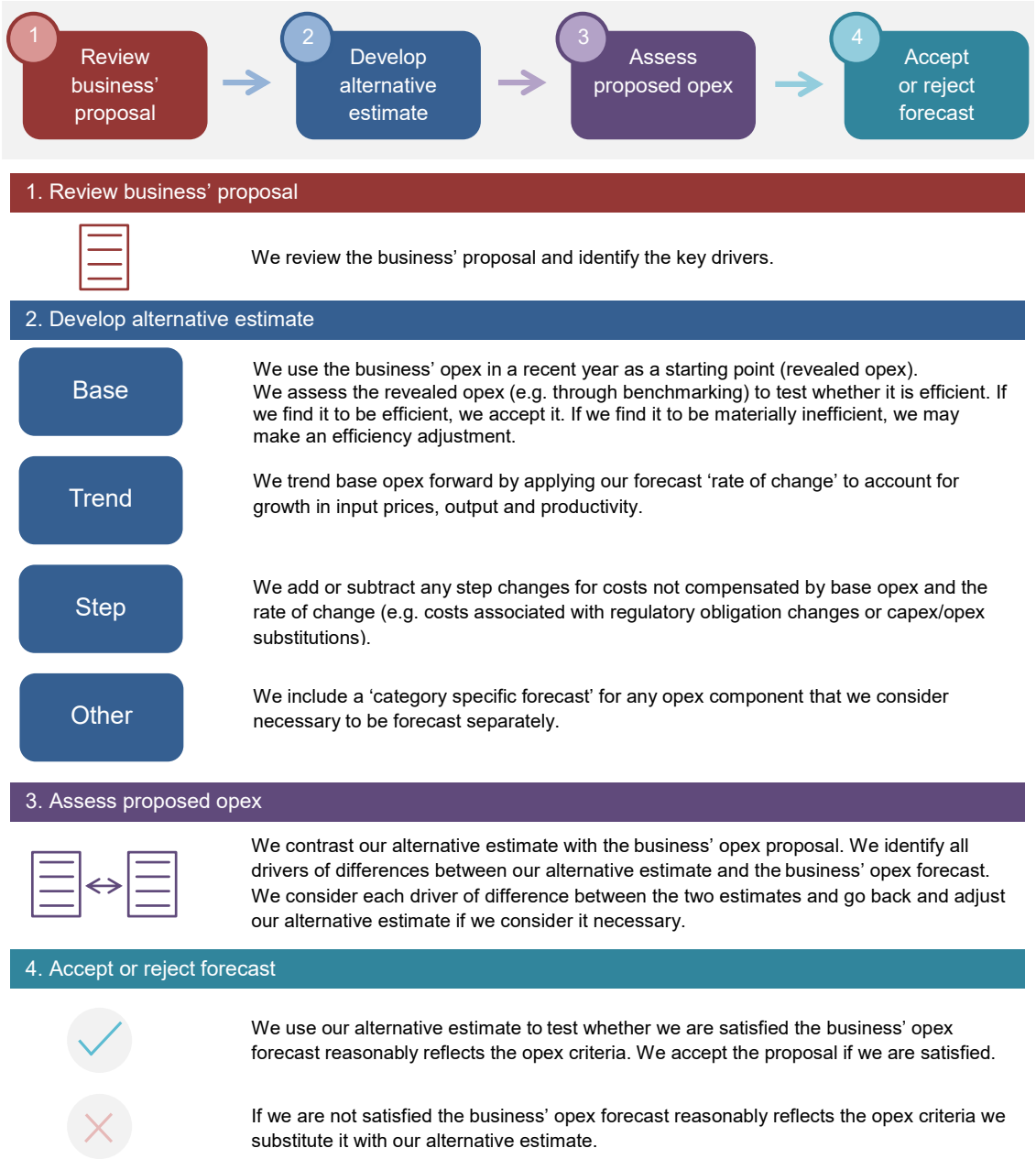
120 NER, cl. 6A.6.6(c).

121 NER, cl. 6A.6.6(d).

122 NER, cl. 6A.14.1(3)(ii).

123 We are required to consider these interrelationships under s. 16(1)(c) of the NEL.

Figure 7 Our opex assessment approach



3.7.4 Inter-relationships

In assessing Basslink's total forecast opex, we also take into account other components of its proposal that could interrelate with our opex decision. The matters we considered in this regard included:

- The EBSS to apply in the 2026–30 period, which will provide Basslink with an incentive to reduce opex.
- The impact of cost drivers that affect both forecast opex and forecast capital expenditure (capex).
- The approach to assessing the rate of return, to ensure there is consistency between our determination of debt raising costs and the rate of return building block.

- The outcomes of Basslink's engagement with consumers and stakeholders in developing its proposal and any feedback we have had.

3.7.5 Reasons for final decision

Our final decision is to accept Basslink's revised proposal total opex forecast of $124.1 million, including debt raising costs, for the 2026–30 period, as it is not materially different to our alternative estimate of total forecast opex of $124.8 million (0.6% higher). Therefore, we consider that Basslink's revised proposal total opex forecast reasonably reflects the opex criteria, having regard to the opex factors. [124]

3.7.6 Base opex

In its initial proposal Basslink proposed a base year of 2021–22, removed one-off costs which were not considered business as usual costs (including costs for arbitration, legal and professional fees, and refinancing and administration). It also removed insurance expenditure from its base year and included it as a category specific forecast.[125]

In its revised proposal Basslink proposed a base year of 2023–24 on the basis that it more accurately reflects Basslink's operating costs, eliminating the need for base year adjustments, additional step changes and the separate forecasting of insurance costs.[126]

We consider it is reasonable for Basslink to use 2023–24 as the base year for its base opex amount of $111.8 million (over 4 years). This is because it reflects audited actual opex for a recent year, which we consider is reasonably representative of the nature of base opex costs that are required for the next regulatory control period.

We are satisfied that Basslink's base opex is unlikely to be materially inefficient. This is because Basslink was operating as a market network service provider, under commercial pressure, via its contract with Hydro Tasmania, incentivising it to incur only efficient costs. This gives us comfort that the actual level of opex incurred should provide a good estimate of the efficient costs required for it to operate a safe and reliable network and meet its relevant regulatory obligations.

Basslink did not propose any base year adjustments. We accept that no adjustments are required.

3.7.7 Rate of change

Having determined an efficient starting point, or base opex, we trend it forward to account for the forecast growth in prices, output and productivity. We refer to this as the rate of change.[127]

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124 The legal framework for our decision is set out in section 6.3 Assessment approach.

125 APA, *Basslink Transmission Proposal*, September 15, 2023, pp 176-180.

126 APA, *Basslink - 1. Revised Revenue Proposal*, November 2025, pp 26-27.

127 AER, *Final decision - Expenditure Forecast Assessment Guidelines – Electricity Transmission*, October 2024, pp 21–23.

Basslink has accepted the AER's rate of change positions set out in our draft decision, which it has reflected in its revised proposal.[128]

- The rate of change in Basslink's revised proposal contributed $2.3 million to Basslink's total opex forecast of $124.1 million. This equates to opex increasing 1.6% on average each year.
- As an EBSS has not been in place for Basslink, a final year increment is not used to generate the final year opex. Instead we apply the rate of change directly to Basslink's base year opex. With the change in base year to 2024-25 we have applied cumulative escalation from 2024–25 only. Basslink applied cumulative escalation from years 2022–23 and 2023–24 (which was negative) to the base year of 2024–25. Hence our alternative rate of change estimate is higher than Basslink's at $4.5 million.
- Consistent with our draft decision, we have maintained an output growth forecast of 0% (given Basslink is an interconnector) and a productivity growth forecast of 0.3% in our alternative estimate.

We compare both forecasts in Table 9.

Table 9 Forecast annual rate of change in opex (%)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Basslink's proposal								
Price growth	-1.36%	0.55%	2.19%	1.01%	0.61%	0.62%	0.74%	0.86%
Output growth								
Productivity growth	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Rate of change	-1.65%	0.25%	1.88%	0.71%	0.31%	0.31%	0.44%	0.56%
Cumulative rate of change	-1.65%	-1.41%	0.45%	1.17%	1.48%	1.80%	2.24%	2.82%
AER alternative estimate								
Price growth			2.19%	1.01%	0.61%	0.62%	0.74%	0.86%
Output growth			0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Productivity growth			1.88%	0.71%	0.31%	0.31%	0.44%	0.56%
Rate of change			1.88%	0.71%	0.31%	0.31%	0.44%	0.56%
Cumulative rate of change			1.88%	2.61%	2.93%	3.25%	3.70%	4.29%
Difference	-1.65%	-1.41%	-1.43%	-1.44%	-1.45%	-1.45%	-1.46%	-1.47%

Source: APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025, AER analysis.

[128] APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025.

Note: The rate of change = (1 + price growth) × (1 + output growth) × (1 – productivity growth) – 1. Numbers may not add up to totals due to rounding. Amounts of '0.0' and '–0.0' represent small non-zero values and '–' represents zero.

3.7.8 Step changes

In developing our alternative estimate for the final decision, we include prudent and efficient step changes for cost drivers such as new regulatory obligations or efficient capex / opex trade-offs. As we explain in the Guideline, we will generally include a step change if the efficient base opex and the rate of change in opex of an efficient service provider does not already include the proposed cost for such items and they are required to meet the opex objectives.[129]

Basslink included two step changes in its revised proposal, Frequency Control Special Protection Scheme (FCSPS)[130] and regulatory costs. We have included these step changes in our alternative estimate for the final decision opex forecast, albeit we included a lower estimate of regulatory costs.

3.7.8.1 Frequency Control Special Protection Scheme hardware costs (FCSPS)

Basslink included a step change of $6.6 million over the 2026–30 period in its revised proposal for the cost that TasNetworks charges Basslink for the hardware costs required to operate the FCSPS. This component of the FCSPS, which is designed and operated by TasNetworks, provides runback (governor) and tripping (CB operation) of generators to reduce load on identified transmission circuits following a network contingency.[131]

We have included this step change in our alternative estimate as we consider it represents prudent and efficient expenditure.

Table 10 Basslink's FCSPS step change ($ million, 2025–26)

	2026–27	2027–28	2028–29	2029–30	Total
Basslink's revised proposal	1.7	1.7	1.7	1.7	6.6
AER alternative	1.7	1.7	1.7	1.7	6.6
Difference	–	–	–	–	–

Source: APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025, AER analysis.

Note: Numbers may not add up to totals due to rounding. Values of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

Basslink did not include this step change in its initial proposal but indicated that it would propose it in its revised proposal when it had a more accurate estimate. At that time it thought that it would be for a total amount of $4.4 million over the 2025–30 period.

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129 AER, *Final decision - Expenditure Forecast Assessment Guidelines – Electricity Transmission*, October 2024, p 4.

130 FCSPS refers to Frequency Control Special Protection Scheme hardware costs.

131 This is separate to the network support component of the FCSPS which is the costs for the generator and load tripping contracts discussed at section 1.2.

Basslink included a step change for $6.6 million in its revised proposal.[132] This forecast was based on a quote from TasNetworks of the likely costs.[133] Under the existing operating agreement Basslink has passed this cost on to Hydro Tasmania, which has been absorbing this cost. With the agreement between Basslink and Hydro Tasmania ceasing to continue once Basslink is a regulated asset, this cost will be borne by Basslink, and will be a new operating cost. We assess that the FCSPS costs are necessary to maintain the quality, reliability and security of supply of prescribed transmission services.[134] We accept that this step change is prudent and efficient and have included it in our alternative estimate of opex.

3.7.8.2 Regulatory Costs – transmission determination proposal

Basslink included a step change of $1.8 million over the 2026–30 period in its revised proposal for regulatory reset costs.

Basslink initially proposed $1.6 million ($2024–25) over 2028–29 and 2029–30 for program management and consultation as part of its stay in business capex. Basslink stated that this expenditure is for the preparation of its transmission determination proposal. We rejected this capex on the basis that it did not meet the definition of an asset.[135]

In our draft decision we also rejected the inclusion of costs for the conversion application and regulatory determination in the 2025–26 estimate of capex to be included in the opening RAB for the same reason.[136]

The preparation of a transmission determination proposal is a regulatory obligation. Basslink stated that its base year opex does not include these costs. We requested that Basslink provide an explanation and break down of the cost estimate of $1.8 million. Basslink submitted that its forecast was based on the budget for the Basslink Revenue Proposal and that it would provide information on the actual costs.[137] We requested this information again from Basslink who informed us that they were unable to provide further detail.[138]

As we do not have a basis for concluding the $1.8 million forecast is efficient, we have reviewed the actual costs of preparing a transmission determination proposal by the other APA interconnectors, Directlink and Murraylink. Directlink had actual costs of $331,751 ($2024–25) in the 2020–25 regulatory control period.[139] Murraylink had actual costs of $203,933 ($2022–23) in the 2018–23 regulatory control period.[140] We assess that the more

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132 APA, *Basslink - 1. Revised Revenue Proposal - November 2025*, pp 27-28.

133 APA, Response to Information Request #016, question 7, received 22 January 2026.

134 NER cl.6A.6.7(a)(3)(iii).

135 AER, *Draft Decision - Basslink Electricity Transmission Determination 2026–30, Attachment 2 – Capital Expenditure*, September 2025, p 14.

136 AER, *Draft decision on Basslink electricity transmission determination 2026–30, Attachment 2 – Capital Expenditure*, September 2025, pp 21-22.

137 APA, Response to Information Request #016, question 5, received 22 January 2026.

138 APA, Email 'Re: Basslink IR#016 - question from this morning regarding reg reset costs in 2028-29', 3 February 2026.

139 AER, *Final Decision - Directlink - 2025-30 Transmission determination revenue proposal - Capex Model*, April 2025

140 AER, *Murraylink 2023-28 - Final Decision - Capex Model,* April 2023.

recent costs of Directlink serve as a good proxy for the costs to prepare a transmission determination proposal for an interconnector. They are both point to point interconnectors, with similar operational requirements.

We have escalated the $0.3 million costs to $2025–26 and apportioned it between 2028–29 and 2029–30 on the same expenditure shares as proposed by Basslink.

Table 11 Basslink's regulatory costs step change ($ million, 2025–26)

	2026–27	2027–28	2028–29	2029–30	Total
Basslink's revised proposal	–	–	1.1	0.7	1.8
AER alternative	–	–	0.2	0.1	0.3
Difference	–	–	-0.9	-0.6	-1.5

Source: APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025, AER analysis.
Note: Numbers may not add up to totals due to rounding. Values of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

3.7.8.3 Debt raising costs

We have included debt raising costs of $1.6 million in our alternative estimate, which is slightly higher than Basslink's revised proposal.

Table 12 Debt raising costs ($million, 2025–26)

	2026–27	2027–28	2028–29	2029–30	Total
Basslink's revised proposal	0.4	0.4	0.4	0.4	1.5
AER alternative estimate	0.4	0.4	0.4	0.4	1.6
Difference	–0.0	–0.0	–0.0	–0.0	–0.01

Source: APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025, AER analysis.
Note: Numbers may not add up to totals due to rounding. Values of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

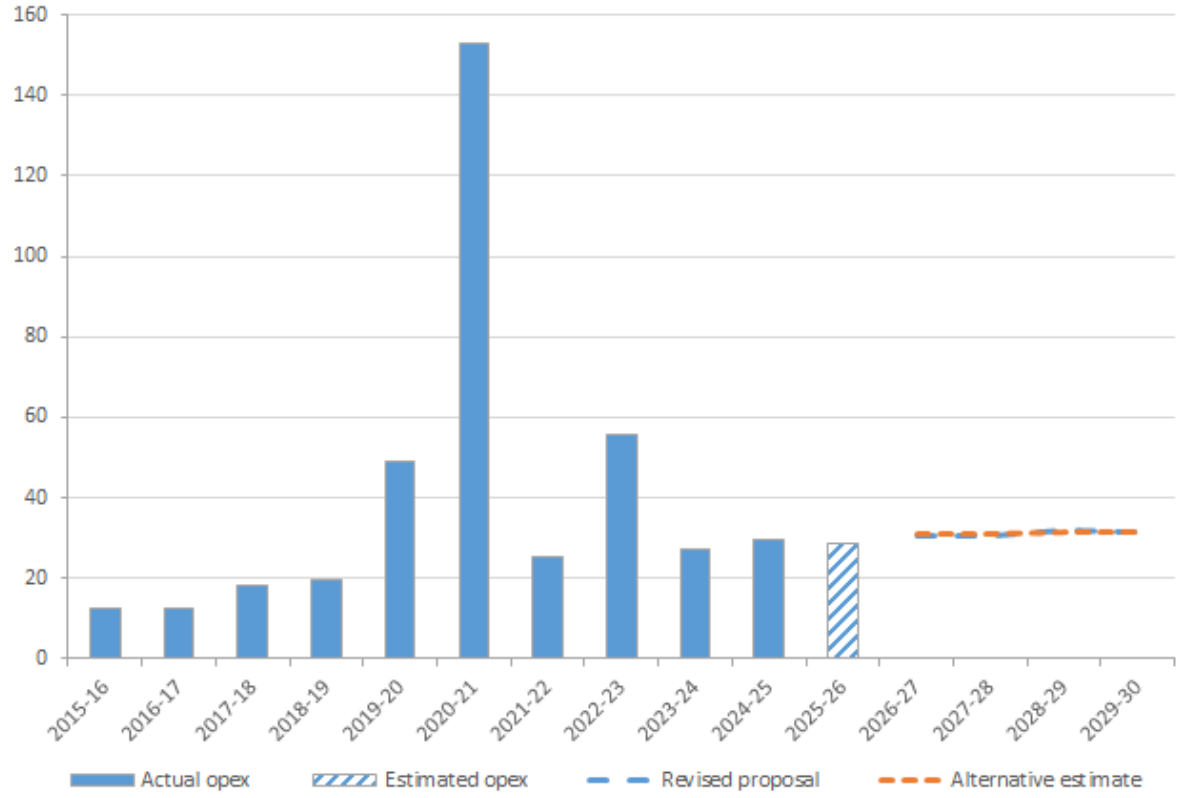
Debt raising costs are transaction costs incurred each time a business raises or refinances debt. Our preferred approach is to forecast debt raising costs using a benchmarking approach rather than a service provider's actual costs in a single year. This provides consistency with the forecast of the cost of debt in the rate of return building block.

We used our standard approach to forecast debt raising costs, which is discussed further in section 3.4.1 to the final decision.

3.7.9 Final decision

Our final decision is to accept Basslink's revised proposal total opex forecast of $124.1 million[141] ($2025–26)[142], including debt raising costs, for the 2026–30 period, as it is not materially different to our alternative estimate of total forecast opex of $124.8 million (0.6% higher). Therefore, we consider that Basslink's revised proposal total opex forecast reasonably reflects the opex criteria, having regard to the opex factors. The legal framework for our decision, and our approach to assessing opex, is set out in section 3.7.3.

Figure 8 Historical and forecast opex ($2025–26)



Source: APA, Basslink - Attachment 12 - Worksheet historical and forecast,15 September 2023.xls; Basslink - Revised Electricity Transmission Determination 2026 to 2030 - Opex Model, November 2025; AER analysis.

Table 13 sets out Basslink's revised opex proposal, our alternative estimate for the final decision and the differences between these forecasts.

Table 13 Comparison of Basslink's revised proposal and our alternative estimate of forecast opex ($million, 2025–26)

	Revised Proposal	Alternative estimate	Difference ($)	Difference (%)
Based on reported opex	**111.8**	**112.3** [(a)]	**0.5**	**0.5**
Total base year adjustments	**–**	**–**	**–**	**–**

141 APA, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025.

142 All dollar amounts in this attachment reflect $2025–26 terms, unless otherwise indicated

	Revised Proposal	Alternative estimate	Difference ($)	Difference (%)
Remove category specific forecasts	**–**	**–**	**–**	**–**
Trend: Output growth	**–**	**–**	**–**	**–**
Trend: Price growth	4.5	5.5	1.0	0.8
Trend: Productivity growth	–2.1	–1.5	0.6	0.5
Total trend	**2.3**	**4.0**	**1.6**	**1.3**
FCSPS[(b)]	6.6	6.6	–	–
Regulatory Costs[(c)]	1.8	0.3	–1.5	–1.2
Total step changes	**8.4**	**7.0**	**–1.5**	**–1.2**
Category specific forecasts	–	–	–	–
Total opex, excluding debt raising costs	**122.6**	**123.3**	**0.7**	**0.6**
Debt raising costs	1.5	1.6	0.01	0.6
Total opex (including DRC)	**124.1**	**124.8**	**0.7**	**0.6**

Source: Basslink, *Basslink – Attachment 4 – Revised Proposal Forecast Opex model*, November 2025; AER analysis.

Note: (a) The AER and Basslink numbers are different due to a different inflation rate being applied.
(b) FCSPS refers to Frequency Control Special Protection Scheme hardware costs.
(c) Regulatory costs refers to the costs of preparing the transmission determination proposal.
Numbers may not add up to total due to rounding. Differences of '0.0' and '–0.0' represent small variances and '–' represents zero.

Our slightly higher alternative estimate of total opex for Basslink is due to the:

- Removal of Basslink's price and productivity growth for 2021–22 and 2022–23 ($1.6 million).
- Reduction in Basslink's proposed Regulatory Costs step change (–$1.5 million).

3.8 Corporate income tax

Our revenue determination includes the estimated cost of corporate income tax for Basslink's 2026–30 period. Under the post-tax framework, the cost of corporate income tax is calculated as part of the building block assessment using our PTRM.[143]

Our final decision on Basslink's estimated cost of corporate income tax is $13.9 million ($ nominal) over the 2026–30 period. This represents a reduction of $0.1 million (0.9%) from Basslink's revised proposal of $14.0 million.

The key reason for this reduction is our final decision on a lower regulatory depreciation.[144] This reduction is partially offset by our final decision on a higher return on equity capital due

143 NER, cl. 6A.5.4(a)(4).

144 See section 3.3. All else being equal, a lower regulatory depreciation amount will reduce the cost of corporate income tax because it forms a component of the taxable income.

to our higher opening RAB as at 1 July 2026 and higher rate of return on equity[145] as well as a lower tax depreciation amount due to a lower tax asset base (TAB).[146]

We amended Basslink's opening TAB value at 1 July 2026 consistent with our final decision on the opening RAB.

Our final decision also accepts Basslink's proposed:

- amount of forecast immediately expensed capex
- weighted average method to calculate the remaining tax asset lives at 1 July 2026.

Table 14 sets out our final decision on the estimated cost of corporate income tax for Basslink over the 2026–30 period.

Table 14 Final decision on Basslink's cost of corporate income tax for the 2026–30 period ($ million, nominal)

	2026–27	2027–28	2028–29	2029–30	Total
Tax payable	7.6	7.8	8.2	8.7	32.3
Less: value of imputation credits	4.3	4.5	4.7	5.0	18.4
Net corporate income tax allowance	**3.3**	**3.4**	**3.5**	**3.7**	**13.9**

Source: AER analysis.

3.8.1 Opening tax asset base as at 1 July 2026

For the reasons discussed in section 3.2 we have accepted Basslink's proposed depreciated actual cost approach to calculate the opening RAB and we have applied this same approach for the TAB. However, we have amended the opening TAB proposed by Basslink consistent with the amendments made to the opening RAB. We determine Basslink's opening TAB value as at 1 July 2026 to be $484.3 million ($ nominal). This represents a reduction of $4.5 million (0.9%) compared to its proposal of $488.8 million.

3.8.2 Forecast immediate expensing of capex

For this final decision, we accept Basslink's proposed capex of $0.6 million ($2025–26) to be immediately expensed for tax purposes in the 2026–30 period.

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145 The higher return on equity amount is driven by higher rate of return on equity over the 2026–30 period (section 3.4) a higher opening RAB at 1 July 2026 (section 3.2). All else being equal, a higher return on equity amount will increase the cost of corporate income tax because it is a component of the taxable income.

146 This amount is calculated in our PTRM based on the tax asset base and tax asset lives. All else being equal, a lower tax depreciation will increase the cost of corporate income tax because it is used as a deduction to arrive at the taxable income.

Consistent with our draft decision, we accept Basslink's proposed method to calculate its forecast of immediately expensed capex. This approach involves immediately expensing all of the capex for the 'spares' projects under the 'Switchyard components' asset class.

We will collect actual data relating to the immediate expensing of capex in our annual reporting regulatory information notices to further inform our decision for this type of expenditure in the next regulatory determination for Basslink.

3.8.3 Assets exempt from the diminishing value method

The PTRM applies the diminishing value method as the regulatory benchmark for tax depreciation to all new capex. However, there are some exceptions to this approach under the tax law such as assets relating to in-house software, buildings (capital works) and equity raising costs.[147]

Basslink proposed that its forecast capex associated with buildings (capital works) and in-house software for the 2026–30 period be exempted from the diminishing value tax depreciation method. Consistent with our draft decision, we accept Basslink's revised proposal because the forecast capex satisfies the relevant definitions under the tax law.[148] Therefore, these assets will be depreciated using the straight-line method for tax purposes.

3.8.4 Standard and remaining tax asset lives

For this final decision, we accept Basslink's revised proposed standard tax asset lives because they are broadly consistent with the tax asset lives prescribed by the Commissioner of Taxation in Australian Taxation Office (ATO) Legislative Instrument 2025/20.[149]

In our draft decision, we accepted the majority of Basslink's proposed standard tax asset lives because they are broadly consistent with the tax asset lives prescribed in the ATO Taxation Ruling. We did not assign a standard tax asset life to those asset classes for which there is no forecast capex.

For the 'Other' asset class, we reduced the standard tax asset life to 5 years as a significant proportion of it was capitalised IT which we consider has a standard tax life of approximately 5 years.

Basslink's revised proposal adopted our draft decision standard tax asset lives. We therefore confirm our acceptance of these standard tax asset lives in our final decision.

We also accept Basslink's approach to calculate the remaining tax asset lives as at 1 July 2026 for tax depreciation purposes of its existing assets, which were calculated using the weighted average method. This is consistent with the approach accepted in our draft decision. However, we have updated the remaining tax asset lives as at 1 July 2026 to reflect the amendments we made to the opening TAB values as at 1 July 2026.

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147 Asset classes 47, 48, 49 and 50 in the PTRM provide for this.

148 ATO, *Taxation Ruling 2016/3*, October 2018; ATO, *Taxation Ruling 97/25*, July 2017; ITAA, section 995.1; ITAA, section 43.20.

149 ATO, *Legislative Instrument LI2025/20 – Schedule 2 – Effective Life Tables A and B*, October 2025.

Our final decision PTRM sets out the approved standard and remaining tax asset lives as at 1 July 2026 for Basslink.

3.9 Pricing methodology

The role of the pricing methodology is to set out how the TNSP will recover its costs via prices.[150] In particular, the pricing methodology provides a 'methodology, formula, process or approach'[151] that, among other things:

- Allocates the aggregate annual revenue requirement (AARR) to the categories of prescribed transmission services that the TNSP provides and, after adjustments, to the applicable transmission network connection points.[152]
- Determines the structure and recovery of prices that a transmission business may charge for each category of prescribed transmission services.[153]

Basslink's revised pricing methodology included the updates required in our draft decision.[154] These updates included reflecting our latest Pricing Methodology Guidelines,[155] reflecting that the upcoming regulatory control period is 1 July 2026 to 30 June 2030[156] and referring to VicGrid as the Coordinating Network Service Provider (CNSP) in Victoria.[157]

Beyond these updates in Basslink's revised pricing methodology, and following further review, we considered some additional clarifications are required. In particular:

- Clearer explanations of how Basslink's AARR is derived as per NER clause 6A.22.1 and how Basslink's revenue is recovered via transmission prices, reflecting recent rule changes.
- Removing the duplication of information requirement 2.1(l)(6) and ensuring that information requirement 2.1(l)(7) is addressed in the Pricing Methodology Guidelines.

Therefore, our final decision is to not accept Basslink's revised pricing methodology for the 2026–30 period so as to account for these additional clarifications. Basslink subsequently provided an amended pricing methodology to the AER that we consider included these clarifications.[158]

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150 AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p 1.

151 NER, cl. 6A.24.1(b).

152 NER, cl. 6A.24.1(b)(1–3).

153 NER, cl. 6A.24.1(b)(4).

154 AER, *Draft Decision - Basslink Electricity Transmission Determination 2026 to 2030 - Attachment 7 - Transmission pricing methodology*, September 2025, pp 2 – 3.

155 APA, *Basslink Attachment 5 - Revised Pricing Methodology*, November 2025, p 2; AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, 3 July 2025, pp 6 – 19.

156 APA, *Basslink Attachment 5 - Revised Pricing Methodology*, November 2025, p 7.

157 APA, *Basslink Attachment 5 - Revised Pricing Methodology*, November 2025, p 3.

158 APA, *Response to information request IR#017 – Follow up to IR#015 – Transmission Pricing methodology*, 27 January 2026, Public.

We therefore substitute the amended pricing methodology for the revised pricing methodology to include changes to more clearly reflect NER requirements and our Pricing Methodology Guidelines.

Appendix D of our final decision contains our detailed assessment of the amended pricing methodology. We have published the pricing methodology that will apply to Basslink for the period of this determination with this final decision.[159]

3.10 Negotiated services

Our transmission determination imposes control over revenues that a TNSP can recover from its provision of prescribed transmission services. We do not determine the terms and conditions of negotiated transmission services. Under the NER, negotiated services are provided under an agreement or as a result of a determination of a commercial arbitrator. In Victoria, these processes are facilitated by:

- a negotiating framework, and
- Negotiated Transmission Service Criteria.

Basslink must prepare a negotiating framework that sets out procedures for negotiating the terms and conditions of access to a negotiated transmission service in Victoria.

The Negotiated Transmission Service Criteria, sets out the criteria that a TNSP must apply in negotiating those terms and conditions, including the prices and access charges for negotiated transmission services. They also contain the criteria that a commercial arbitrator must apply to resolve disputes about such terms and conditions and/or charges.

Our final decision retains our draft decision, where we approved Basslink's proposed negotiated framework and applied the Negotiated Transmission Service Criteria we published for consultation in November 2023.[160] Refer to our draft decision for our assessment of the negotiating framework and the Negotiated Transmission Service Criteria that would apply to Basslink.[161]

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159 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026.

160 AER, *Proposed negotiated transmission service criteria for Basslink*, November 2023.

161 AER, *Draft Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Attachment 8 – Negotiated services*, September 2025.

4 Incentive schemes

Incentive schemes are a component of incentive-based regulation and complement our approach to assessing efficient costs. They provide important balancing incentives under network determinations, encouraging businesses to pursue expenditure efficiencies while maintaining the reliability and overall performance of its network. Our final decision is that the following incentive schemes will apply to Basslink in the 2026–30 period:

- Efficiency benefit sharing scheme (EBSS). This provides a continuous incentive to pursue efficiency improvements in opex and provide for a fair sharing of these between Basslink and network users. Consumers benefit from improved efficiencies through lower opex in regulated revenues for future periods.
- Capital expenditure sharing scheme (CESS). This incentivises efficient capex throughout the period by rewarding efficiency gains and penalising inefficiency each measured by reference to the difference between forecast and actual capex. Consumers benefit from improved efficiencies through a lower RAB, which is reflected in regulated revenues in future periods.

Our final decision is that the following incentive schemes will not apply to Basslink in the 2026–30 period:

- The service target performance incentive scheme (STPIS). The STPIS balances incentives to reduce expenditure with the need to maintain or improve service quality, by providing financial incentives to maintain and improve service performance where consumers are willing to pay for these improvements. Once improvements are made, consumers benefit as the benchmark performance targets will be tightened in future years.
- The Demand Management Innovation Allowance Mechanism (DMIAM). The DMIAM provides an allowance to NSPs to undertake innovative projects related to demand management.

4.1 Efficiency benefit sharing scheme (EBSS)

In its initial proposal, Basslink proposed not to apply the EBSS for the 2026–30 period on the basis that opex is difficult to forecast due to significant uncertainty on future opex because of changes in Basslink's operating environment. Basslink submitted this would result in uncertain outcomes rather than incentives on the business. Basslink further submitted that the EBSS be applied from the 2030–35 regulatory control period onward. The reasons in our draft decision for proposing to apply the EBSS for the 2026–30 period were as follows:

- Our opex forecasts are reasonably likely to reflect prudent and efficient costs having regard to the changes in Basslink's operating environment such that we propose to apply the EBSS. This will provide continuous incentives for Basslink to minimise costs over the regulatory control period.
- The absence of an EBSS limits incentives for cost efficiencies in the 2026–30 period and so reduces confidence that actual opex for the purposes of determining the forecast opex in the 2030–35 regulatory control period will reflect prudent and efficient costs.

In response to our draft decision, Basslink accepted the application of the EBSS for the 2026–30 period, if the opex base year is updated to 2023–24 and the 'step change' costs for the Frequency Control Special Protection Scheme (FCSPS) are excluded from the EBSS.[162] We have accepted Basslink's updated base year opex for the purposes of the EBSS. However, we have not accepted the proposed exclusion from the EBSS of the hardware costs for the FCSPS as we have approved the step change in opex and consider the forecast is reasonable (refer to section 3.7). For the reasons outlined in the draft decision, we have decided to apply the EBSS to Basslink for the 2026–30 regulatory control period.

4.2 Capital expenditure sharing scheme (CESS)

Basslink proposed to apply the CESS in the 2026–30 period. We accepted Basslink's proposal in our draft decision. This will provide constant incentives for Basslink to incur efficient capital expenditure over the regulatory control period. Consistent with our draft decision, our final decision is that version 4 of the CESS (set out in the 2025 Capital Expenditure Incentive Guidelines)[163] will apply to Basslink for the 2026–30 period.

4.3 Service target performance incentive scheme (STPIS)

Basslink proposed not to apply the Service Component (SC) of the STPIS in the 2026–30 period. However, Basslink proposed to provide the AER with information on relevant SC parameter values during the 2026–30 period to enable the AER to set target values for these SC parameters in the next regulatory control period. In its initial proposal, Basslink proposed to apply the Network Capability Component (NCC) and the Market Impact Component (MIC) for the 2026–30 regulatory control period.

Our draft decision was to not apply the STPIS to Basslink for the 2026–30 period. We considered the NCC could not meaningfully apply to Basslink. There are limited opportunities to identify low-cost high-value NCC projects because Basslink has limited connection points and is not a meshed network. This is consistent with Basslink's initial proposal which did not identify any NCC projects for 2026–30. It is also consistent with the current STPIS, which excludes other interconnectors from the NCC.

Version 6 of the STPIS published in April 2025 (the version of the STPIS currently in force) suspended the application of the MIC.[164]

For the SC, the historical data needed to set the parameter values is not available. Consistent with Basslink's initial proposal, we proposed to collect data from Basslink relevant to the SC over the 2026–30 regulatory control period. The information collected in the 2026–30 period will enable the AER to set target parameter values for the relevant SC parameters in the 2030–35 regulatory control period should the AER decide to apply the STPIS at the next determination.

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162 APA, *Basslink Transmission Revised Revenue Proposal* , November, p 29

163 AER, *Capital Expenditure Incentive Guidelines*, August 2025.

164 AER, *Electricity Transmission Service Target Performance Incentive Scheme Version 6*, April 2025.

In its revised proposal, Basslink agreed that data for the STPIS be collected over the 2026–30 period to enable the setting of a target for the subsequent determination period (2030 to 2035). [165]

For the reasons set out in our draft decision, our final decision is to not apply the STPIS to Basslink for the 2026–30 period. We will collect data from Basslink relevant to the SC over the 2026–30 regulatory period.

4.4 Demand management innovation allowance mechanism (DMIAM)

Basslink has not proposed to apply the Demand Management Innovation Allowance Mechanism (DMIAM), and our final decision is that the DMIAM will not apply to Basslink for the 2026–30 period. We consider that there is limited utility to energy users from Basslink undertaking demand management initiatives through the DMIAM.

[165] APA, *Basslink - 1. Revised Revenue Proposal - November 2025* , November, p 29

5 Contingent project

Contingent projects are significant network augmentation or replacement projects that are reasonably required to be undertaken in order to achieve the capex objectives. However, unlike other proposed capex projects, the need for the project within the regulatory control period and the associated costs are not sufficiently certain. Consequently, expenditure for such projects does not form a part of the total forecast capex that we approve in this determination. Such projects are linked to unique investment drivers and are triggered by defined 'trigger events'. The occurrence of the trigger event must be probable during the relevant regulatory control period. The cost of the projects may ultimately be recovered from customers in the future if the trigger events are met.

Our final decision is to accept Basslink's control and protection system (CPS) replacement costs contingent project.

5.1 Our draft decision

In its initial proposal Basslink included CPS replacement costs as part of its capex forecast and stated that the CPS was required to be replaced due to:

- Siemens cancelling the CPS version installed for Basslink in 2006, meaning that no further spares are available from Siemens.
- Support of the CPS software dwindling, making communications issues harder to solve.

As set out at section 3.6, CPS replacement capex was included as a placeholder in our draft decision because we had insufficient information to form a view on its prudency and efficiency. The reasons for this are set out in Attachment 2 of our draft decision.[166]

5.2 Basslink's revised proposal

In its revised proposal Basslink submitted that it has proposed the CPS project as a contingent project as the timing and quantum of expenditure for the CPS project is currently uncertain and is unlikely to become certain before the AER's final decision.[167]

To ascertain the cost and replacement timing of the CPS, Basslink will firstly undertake the Front End Engineering and Design Study with a supplier. This is expected to take six months, however, it is not clear when this study will commence.[168]

Basslink has proposed a total indicative cost of $84.4 million ($2025-26) for the replacement of the CPS, the contingent project.

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166 AER, *Basslink Electricity Transmission Determination 2026 to 2030 - Attachment 2 - Capital expenditure*, September 2025, pp 10–13.

167 APA, *Basslink - 1. Revised Revenue Proposal - November 2025*, November 2025, p 23.

168 APA, Response to information request #016, Question 1, received 22 January 2026.

This project includes refurbishment of the Basslink control and protection system to replace equipment that will be at end of life and obsolete at the time of project implementation including: [169]

- Control and protection software and hardware for both AC and DC,
- IT infrastructure and servers, and
- HMI and visualisation to operator.

Basslink submitted that its CPS replacement project meets the contingent project application requirements:[170]

1. The CPS is essential for fault detection and isolation, thyristor valve control, AC harmonic filtering, and automous operation at 500MW capacity. It reasonably required to achieve the capital expenditure objectives related to maintaining reliability, safety, and compliance with applicable standards. The system is approaching obsolescence with reduced support available from Siemens and a reduced production of spares, with many components already obsolete, and Siemens has indicated that it is considering removing all support in 2030.[171]
2. The capex for the CPS replacement is not included in the total forecast capex for the regulatory control period.[172]
3. The project forecast cost of stage 2 is $80.8 million[173] exceeds the $30 million threshold.[174]
4. The project and expenditure are compliant with the regulatory information instruments. Basslink submitted that the project documentation has been prepared in accordance with AER guidelines and includes cost forecasts for the various options and their timings, risk assessments, and lifecycle planning.[175]
5. The trigger events, as specified below, are reasonably specific and objectively verifiable, linked to increased costs or risks, and probable during the regulatory control period.[176]

Basslink proposed the following trigger events for this contingent project:[177]

1. Completion of the Front-End Engineering and Design:

The Front End Engineering and Design is complete as evidenced by the supplier providing the following:

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169 APA, Response to IR #016, Question 1, received 22 January 2026: Email '250827_Update Status Basslink - Scope of Supply'; APA, Email 'Basslink - contingent project description', received 10 February 2026.

170 APA, *Basslink - 1. Revised Revenue Proposal*, November 2025, p 24.

171 NER cl. 6A.8.1(b)(1).

172 NER cl. 6A.8.1(b)(2)(i).

173 Stage 1 is the Front End Engineering Study ($5.0 million) and securing of a manufacturing slot ($5.0 milllion) in 2025-26.

174 NER cl. 6A.8.1(b)(2)(iii).

175 NER cl. 6A.8.1(b)(3).

176 NER cl. 6A.8.1(b)(4).

177 APA, *Basslink - 1. Revised Revenue Proposal,* November 2025, p.25.

- Technical documentation/final outcomes for the new control and protection system and associated equipment, and
- a Final Commercial Offer Submission has been received for the replacement of the control and protection system equipment and associated equipment.

2. Project Approval from Basslink Management

   - Final Investment Decision is made to approve the control and protection system upgrade by the individual or individuals within Basslink with the delegated authority to approve a project of the relevant cost magnitude.

5.3 Assessment approach

We reviewed Basslink's proposed contingent project against the assessment criteria in the NER.[178] We consider that Basslink has met the criteria, as follows:

- The proposed contingent project is reasonably required to be undertaken in order to achieve any of the capex objectives.[179] If the CPS fails, the interconnector is inoperable. We therefore assess that the replacement of the CPS due to the lack of OEM support and reducing spares, thereby increasing the risk of failure, is reasonably required to maintain reliability, safety, and compliance with applicable standards.
- The proposed contingent project capital expenditure is not otherwise provided for in the capex proposal.[180] We note that the CPS expenditure is not otherwise included in the forecast capex, except for $10.0 million:
  - A $5.0 million payment to secure the manufacturing slot in 2029–30.
  - A deposit paid to the supplier of $5 million for the Front-End Engineering and Design (FEED). The supplier has advised Basslink that it will monitor and report the costs against this amount each month. Any amount of the $5 million that remains at the end of the FEED will be credited towards the construction of the CPS.

In Basslink's revised proposal, this $10.0 million is referred to as 'stage 1 of the control and protection system replacement' and forms part of proposed 2025–26 forecast capex to be included in the opening regulatory asset base.[181] The contingent project capex is referred to as phase 2 of the CPS replacement project.

If during 2026–30 Basslink applies to amend its revenue determination if the trigger event for the contingent project has occurred, the $5.0 million securing the manufacturing slot and the residual expenditure from the $5.0 million deposit for the FEED would need to be netted off the total project cost submitted under the contingent project application

- The proposed contingent project capital expenditure reasonably reflects the capex criteria, taking into account the capex factors[182] We consider that it is prudent to replace

178 NER. cl. 6A.8.1.

179 NER, cl. 6A.8.1(b)(1).

180 NER, cl. 6A.8.1(b)(2)(i). Relevantly, a TNSP must include forecast capex in its revenue proposal which it considers is required in order to meet or manage expected demand for prescribed transmission services over the regulatory control period (see NER, cl. 6A.6.7(a)(1)).

181 Basslink, Revised Revenue Proposal, November 2025, p.21.

182 NER, cl. 6A.8.1(b)(2)(ii).

the CPS due to the risk of failure, due to lack of OEM support and reducing spares. Basslink submitted that it is not possible to do a staged replacement or source replacement parts from other HDVC operators as they are in the same shortage position as Basslink. We therefore consider it is efficient to replace the CPS towards the end of this regulatory control period.

- The proposed contingent project capital expenditure of $80.8 million exceeds $30 million, which is larger than $5.5 million, which is 5% of Basslink's maximum allowed revenue for Basslink for the first year of the 2026–30 period ($110.4 million).[183]
- The trigger events in relation to the proposed contingent project are appropriate – see reasoning below.[184]

5.4 Reasons for final decision

We considered whether the trigger events proposed by Basslink are appropriate by having regard to the need for the trigger event:

- To be reasonably specific and capable of objective verification.[185]
- To be a condition or event which, if it occurs, makes the project reasonably necessary in order to achieve any of the capex objectives.[186]
- To be a condition or event that generates increased costs or categories of costs that relate to a specific location rather than a condition or event that affects the transmission network as a whole.[187]
- To be described in such terms that it is all that is required for the revenue determination to be amended.[188]
- To be a condition or event, the occurrence of which is probable during the 2026–30 period but the inclusion of capex in relation to it (in the total forecast capex) is not appropriate because either:
  - it is not sufficiently certain that the event or condition will occur during the regulatory control period or if it may occur after that period or not at all, or
  - assuming it meets the materiality threshold, the costs associated with the event or condition are not sufficiently certain.[189]

Having regard to the matters above, we considered the trigger event set out in Basslink's revised proposal should be more specifically defined such that the trigger event makes the project reasonably necessary to achieve the capex objectives and is all that is required for the revenue determination to be amended. In particular, we considered that the trigger event

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183 NER, cl. 6A.8.1(b)(2)(iii). $30 million is the larger of the two amounts referred to in cl. 6A.8.1(b)(2)(iii), with the second amount being 5% of the value of the maximum allowed revenue for Basslink for the first year of the 2026–30 period.

184 NER, cl. 6A.8.1(b)(4).

185 NER, cl. 6A.8.1(c)(1).

186 NER, cl. 6A.8.1(c)(2).

187 NER, cl. 6A.8.1(c)(3).

188 NER, cl. 6A.8.1(c)(4).

189 NER, cl. 6A.8.1(c)(5).

should specify that the APA Group Board had made a commitment to enter into a contract with the supplier to undertake the project. We issued an information request to Basslink which set out our concerns and suggested a more specific trigger.[190] Basslink amended its trigger event to address this concern to:

- APA Group's Board has committed to proceed with the project subject to the AER amending the revenue determination pursuant to the Rules, as evidenced by the APA Group's Board or its delegate having committed to enter into a contract with the supplier to undertake the CPS replacement works.

5.5 Final decision

We are satisfied that the updated trigger events for the CPS replacement contingent project are appropriate and have accepted this contingent project in our final decision.

Table 15 AER final decision - Contingent Project Trigger Event

Contingent project	Trigger Event
Control and Protection System Replacement	The following trigger events apply for this contingent project:[191] 1. Completion of the Front-End Engineering and Design: The Front-End Engineering and Design is complete as evidenced by the supplier providing the following: – Technical documentation/ Final outcomes for the new control and protection system and associated equipment, and – A Final Commercial Offer Submission has been received for the replacement of the control and protection system equipment and associated equipment. 2. Project Approval from Basslink Management – APA Group's Board has committed to proceed with the project subject to the AER amending the revenue determination pursuant to the Rules, as evidenced by the APA Group's Board or its delegate having committed to enter into a contract with the supplier to undertake the CPS replacement works.

190 AER, Basslink Information request #018, 6 February 2026.

191 APA, *Basslink - 1. Revised Revenue Proposal*, November 2025, p.25.

6 Cost Pass Throughs

In its revised proposal Basslink accepted our draft decision in relation to cost pass throughs and the proposed definitions of nominated pass through events.[192] Our draft decision was with respect to four nominated pass through events that will apply to Basslink for the 2026–30 period:

- Insurance coverage event
- Insurer credit risk event
- Natural disaster event
- Terrorism event.

The definitions for these events can be found in our draft decision.[193]

Basslink also proposed a Repair Vessel Cost Pass Through.[194] This is a cost pass through to recover the costs of the fit out for the cable repair vessel that will replace the current vessel, the CS Lodbrog.

Basslink, as part of a consortium, contracts access to a repair vessel in order to carry out the location and repair of a cable fault in a timely fashion. Basslink's cable handling requirements are different to the majority of other members of the consortium, requiring bespoke fit out equipment to be manufactured to install on the vessel in the event of a cable fault.

Basslink initially included capex of $8.2 million ($2024–25), subsequently revised it up to $26.3 million ($2024–25). Basslink then withdrew the expenditure with a view to proposing a pass through in the revised proposal due to:[195]

- The uncertain timing of when the current repair vessel, the CS Lodbrog, will be retired. This is outside of Basslink's control.
- The uncertain timing of when a new repair vessel, to replace the CS Lodbrog, will be contracted. This potentially may occur in the next regulatory control period.
- The uncertain cost of the fit out equipment. Different vessels have different requirements. Basslink recently received advice that its current fit out requires modifications to address OHS issues which has caused the cost increases described above. There has been an increase in the number of members with HVDC cable requirements in the consortium and so the vessel owner is considering installing more HVDC cable equipment on board the ship. This would require less extensive equipment to be individually constructed by Basslink.
- There being no other regulatory mechanism for recovering these costs. If we were to include the costs proposed in the pass through event as part of the forecast capex

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192 APA, *Basslink - 1. Revised Revenue Proposal*, November 2025, p 30.

193 AER, *Draft Decision - Basslink Electricity Transmission Determination 2026 to 2030 - Attachment 9 - Pass through events - September 2025*, Table 9-2, pp.15-17.

194 APA, *Basslink - 1. Revised Revenue Proposal*, November 2025, pp 30-32.

195 APA, *Basslink - 1. Revised Revenue Proposal*, November 2025, pp 30-32.

allowance, there is a risk that the cost would be either materially over- or under-estimated, providing a potential CESS and WACC benefit or detriment respectively. This project does not meet the contingent project application requirements, being less than $30 million.

The Rules provide for a pass through event to be any other event specified in a transmission determination as a pass through event for the determination.[196]

In determining whether to accept the pass through events nominated by a TNSP in its revenue proposal under clause 6A.6.9(a), the AER must take into account the nominated pass through event considerations which are defined in Chapter 10 of the NER.[197] We have considered each of these as follows:

- The event proposed is not a regulatory change, a service standard, a tax change or an insurance event.[198]
- The nature or type of event can be clearly identified at the time the determination is made for the service provider.[199] The event is Basslink entering into the contract with the replacement vessel, which creates the requirement to incur capex for the fit out equipment. This favours the acceptance of the cost pass through event.
- Whether a prudent service provider could reasonably prevent an event of that nature or type from occurring or substantially mitigate the cost impact of such an event.[200] In the context of the current proposed pass through event, this would be (1) preventing the retirement of the CS Lodbrog, however, this is outside of the control of APA, (2) preventing APA entering a contract with a successor subsea cable repair vessel, and (3) preventing expenditure being incurred to fit out the successor repair vessel however, a 'prudent service provider' would take steps (such as those in parts 2 and 3 of the event) to reduce the outage time associated with locating and repairing a cable fault, thereby ensuring that the reliability and security of the supply of electricity, and of the national electricity system, are not impacted by this retirement. This favours the acceptance of the cost pass through event.
- Whether the relevant service provider could insure against the event.[201] There is no commercial insurance product to cover the cost of fitting out a new repair vessel if the current vessel is retired, and the uncertainty about the timing and cost of fitting out a new vessel is a barrier to any accurate self-insurance for such costs. This favours the acceptance of the cost pass through event.
- Any other matter the AER considers relevant and which the AER has notified Network Service Providers is a nominated pass through event consideration.[202] The AER has not

196 NER cl. 6A.7.3(a1)(5)

197 NER cl. 6A.6.9(b).

198 NER Ch.10(a), cl. 6A.7.3(a1)(1)-(4).

199 NER Ch.10(b).

200 NER Ch.10(c).

201 NER Ch.10(d).

202 NER Ch.10(d).

notified network service providers of additional nominated pass through event considerations.

Having had regard to the nominated pass through event considerations in Chapter 10 of the NER, and in the current specific circumstances, we accept Basslink's Repair Vessel pass through event.

Basslink proposed the following definition of the Repair Vessel pass through event:

A Repair Vessel Cost Pass Through occurs if the CS Lodbrog (the existing *subsea cable repair vessel*) is retired in the 2026–30 period and expenditure is incurred in removing *subsea cable repair equipment* from the existing subsea cable repair vessel, installing or adjusting in preparation for installation subsea cable repair equipment on a *successor subsea cable repair vessel*.

Definitions

- Subsea cable repair equipment – equipment used to identify, expose, raise, lower, cut, cap or repair the Basslink subsea cable.
- Subsea cable repair vessel – a vessel capable of installing and deploying the subsea cable repair equipment.
- Successor subsea cable repair vessel – any vessel that is used as a subsea cable repair vessel by Basslink that is not the CS Lodbrog.

We consider that the pass through event should specify that a contract has been entered into in the 2026–30 period for the successor subsea cable repair vessel so that the capex is only incurred at the time it is required, rather than beforehand.

We issued an information request to Basslink which set out our concerns and suggested a more specific definition.[203]

The amended definition (with the amendment to Basslink's proposal underlined) was agreed to by Basslink (see Table 16)

Table 16 AER pass through event definition

Pass through event	Final decision definition
Repair Vessel event	A Repair Vessel Cost Pass Through occurs if the CS Lodbrog (the existing subsea cable repair vessel) is retired in the 2026–30 period, <u>a contract is entered into in the 2026–30 period for the services of the successor subsea cable repair vessel</u>, and expenditure is incurred in the 2026–30 period in removing subsea cable repair equipment from the existing subsea cable repair vessel, installing or adjusting in preparation for the installation of subsea cable repair equipment on a successor subsea cable repair vessel.

[203] AER, Basslink Information request #018, 6 February 2026.

	For the purposes of this repair vessel event: ‘subsea cable repair equipment’ means equipment used to identify, expose, raise, lower, cut, cap or repair the Basslink subsea cable. ‘subsea cable repair vessel’ means a vessel capable of installing and deploying the subsea cable repair equipment. ‘successor subsea cable repair vessel’ meansany vessel that is used as a subsea cable repair vessel by Basslink that is not the CS Lodbrog.

Appendix A - Constituent decisions

In accordance with clause 6A.14.1 of the NER, this final decision on the transmission determination that will apply to Basslink for the 2026–30 period is predicated on the following constituent decisions.

Constituent decisions

NER cl. 6.12.1	Constituent decision
6A.14.1(1)(i)	The AER's final decision is not to approve the total revenue cap for Basslink, as set out in its revised revenue proposal, for the regulatory control period, for the reasons set out in section 3.1.
6A.14.1(1)(ii)	The AER's final decision is to not approve the maximum allowed revenue proposed in Basslink's revised revenue proposal for each regulatory year of the regulatory control period, for the reasons set out in section 3.1.
6A.14.1(1)(iii)	The AER's final decision is that Version 6 of the Service Target Performance Incentive Scheme (STPIS) will not apply to TNSP for the regulatory control period as set out in section 4. Consequently, it is unnecessary to decide the values to be attributed to the performance incentive scheme parameters of the STIPS.
6A.14.1(iv)	The AER's final decision is that Version 2 of the Efficiency Benefit Sharing Scheme (EBSS) will apply to Basslink for the regulatory control period. The AER's final decision on the values that are to be attributed to the efficiency benefit sharing scheme parameters for the EBSS are set out in section 4.
6A.14.1(v)	The AER's final decision is to approve the commencement and length of the regulatory control period as proposed in Basslink's revised revenue proposal, for the reasons set out in the Executive Summary. The AER's final decision is that the regulatory control period will commence on 1 July 2026, and that the length of the regulatory control period will be 4 years (concluding 30 June 2030).
6A.14.1(2)	Acting in accordance with clause 6A.6.7(c) of the NER, the AER's final decision is to accept the total of the forecast capital expenditure for the regulatory control period of $14.4 million ($2025–26) that is included in the Basslink's revised proposal. The reasons for this decision are set out in section 3.6.
6A.14.1(3)	Acting in accordance with clause 6A.6.6(c) of the NER, the AER's final decision is to accept the total of the forecast operating expenditure for the regulatory control period of $124.1 million ($2025–26) that is included in Basslink's revised revenue proposal. The reasons for this decision are set out in section 3.7.
6A.14.1(4)(i), (ii), (iii)	The AER's final decision is that the following proposed contingent projects described in the current regulatory proposal are contingent projects for the purposes of the distribution determination:

NER cl. 6.12.1	Constituent decision
	• CPS replacement cost The following matters relating to this decision are set out in section 5: • identification of the contingent project we have accepted • our final decision on the capital expenditure that we are satisfied reasonably reflects the capital expenditure criteria for this contingent project, taking into account the capital expenditure factors • the trigger event for the accepted contingent project, and • the AER's reasons for its final decision on each of these matters.
6A.14.1(5)	Basslink did not submit a financeability request and therefore the AER has not made a decision under clause 6.14.1(5) of the NER.
6A.14.1(5A)	The AER's final decision on how applicable incentive schemes are to apply to Basslink is: • Version 4 of the Capital Expenditure Sharing Scheme will apply, for the reasons set out in section 4. • Version 2 of the Demand Management Innovation Allowance Mechanism will not apply, for the reasons set out in section 4.
6A.14.1(5B)	The AER's final decision is to determine an allowed rate of return for the 2026–27 regulatory year of 6.77% (nominal vanilla) for the reasons set out in section 3.4. The rate of return for the remaining regulatory years of the regulatory control period will be updated annually because our decision is to apply a trailing average portfolio approach to estimating debt which incorporates annual updating of the allowed return on debt.
6A.14.1(5C)	The AER's final decision on the allowed imputation credits for each regulatory year or the regulatory control period is 0.57.
6A.14.1(5D)	The AER's final decision on the regulatory asset base as at the commencement of the regulatory control period, in accordance with clause 6A.6.1 and schedule 6A.2 of the NER, is $744.6 million ($2026–27). The reasons for this decision are set out in section 3.2.
6A.14.1(5E)	The AER's final decision is that depreciation for establishing the regulatory asset base as at the commencement of the following regulatory control period (as at 1 July 2030) is to be based on forecast capital expenditure.
6A.14.1(8)	The AER's final decision is to approve the pricing methodology submitted by Basslink (which, following feedback from the AER, was revised from the pricing methodology submitted with Basslink's revised revenue proposal), for the reasons set out in Section 3.9.
6A.14.1(9)	The AER's final decision is that the following additional pass through events are to apply for the regulatory control period in accordance with clause 6A.6.9: • Insurance coverage event

NER cl. 6.12.1	Constituent decision
	• Insurer's credit risk event • Terrorism event • Natural disaster event • Repair vessel The definitions of these pass through events are referenced, and the AER's reasons for decision in relation to them are set out, in Section 6.
Other constituent decisions – Victorian TNSPs	
11.98.8(a)(1)	By virtue of clause 11.98.8 of the NER, the provisions for negotiated transmission services in version 109 of the NER continue to apply in Victoria. • Under clauses 6A.2.2(2) and 6A.14.1(6) of version 109 of the NER, the AER's final decision is to approve Basslink's proposed negotiating framework, for the reasons set out in Attachment 8 of our draft decision.[204] • In accordance with clause 6A.2.2(3) of version 109 of the NER the AER's final decision is that the negotiated transmission services criteria for Basslink are those specified in Attachment 8 of our draft decision.[205]

Notes: In this table, 'regulatory control period' means the period 1 July 2026 to 30 June 2030 determined in accordance with clause 6A.14.1(1)(v).
References in this table to 'the current proposal', 'and to documents submitted or matters proposed by Basslink are to the revised revenue proposal and proposed pricing methodology submitted by Basslink on 14 November 2025.

Source: References in this table to where detailed constituent decisions can be found are to documents and models published on the AER's website.

[204] AER, *Draft Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Attachment 8 – Negotiated services*, September 2025.

[205] AER, *Draft Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Attachment 8 – Negotiated services*, September 2025.

Appendix B - List of submissions

We received eight submissions in response to our draft decision and Basslink's revised proposal.

Issues Paper submissions	Date received
Australian Energy Market Operator (AEMO)	February 2024
APA	February 2024
Aurora Energy	February 2024
Hydro Tasmania	February 2024
Tasmanian Government	February 2024
Tasmania Mineral and Energy Council (TMEC)	February 2024
TasNetworks	February 2024
Victorian Government	February 2024

Consultation Paper – Amendments to the Commencement and Process Paper submissions (2024)	Date received
Energy Users Australia Association (EUAA)	June 2024

Consultation Paper – Basslink conversion	Date received
APA	September 2024
Department of Energy, Environment and Climate Action (DEECA)	September 2024
Hydro Tasmania	September 2024
Justice Equity Centre	September 2024
John Pauley	September 2024
Renewable, Climate, Future Industries Tasmania (ReCFIT)	September 2024
TasNetworks	September 2024
TMEC	September 2024
Victorian Chamber of Commerce and Committee of Melbourne	September 2024

Draft decision – Basslink conversion	Date received
APA	January 2025
Hydro Tasmania	February 2025
John Pauley	January 2025
Tasmanian Government	January 2025
Tasmania Small Business Council (TSBC)	January 2025
Victorian Government	February 2025

Consultation Paper – Amendments to the Commencement and Process Paper submissions (2025)	Date received
APA	July 2025
Hydro Tasmania	July 2025
TMEC	July 2025

Draft decision – Basslink revenue proposal and Basslink revised proposal	Date received
John Pauley	December 2025
Tasmanian Government	December 2025
Tasmanian Mineral Energy Council (TMEC)	December 2025
Tasmanian Small Business Council (TSBC)	December 2025
Save our Surroundings Riverina	December 2025
VicGrid	December 2025
Victorian Government	December 2025

Appendix C - Annual revenue adjustment process

We use an expected inflation rate in our post-tax revenue model (PTRM) to calculate the expected MAR (as shown in Table C1) in nominal dollar terms. The calculation of the actual annual MAR will therefore require an adjustment for actual inflation. To this end, the actual MAR from the second year onwards is adjusted for actual inflation. As discussed in the *Rate of return instrument*, the MAR is also subject to adjustment to reflect our update of Basslink's return on debt annually.[206] This means the actual MAR from the second year onwards will be adjusted for revised X factors after the annual return on debt update. The method of this annual revenue adjustment process is set out below.

To enable the formula for the annual revenue adjustment process to operate correctly, we will refer to the expected MAR determined in this decision using the building block costs as the allowed revenue (AR). This is because the expected MAR determined using the building block costs does not incorporate performance incentive scheme revenue adjustments and pass through amounts that may apply to each regulatory year.

We determine the 2026–27 AR of $110.4 million for Basslink. Basslink then applies an annual adjustment to determine its AR for each subsequent year of the 2026–30 regulatory control period, based on the previous year's AR and using the CPI–X methodology.[207] That is, the subsequent year's AR is determined by adjusting the previous year's AR for actual inflation and the X factor determined after the annual return on debt update:

$$AR_t = AR_{t-1} \times (1 + \Delta CPI) \times (1 - X_t)$$

where:

AR = the allowed revenue

t = time period/financial year (for t = 2 (2027–28), 3 (2028–29), 4 (2029–30))

ΔCPI = the annual percentage change in the ABS Consumer price index all groups, weighted average of eight capital cities from December in year t – 2 to December in year t – 1

X = the smoothing factor determined in accordance with the PTRM as approved in the AER's final decision, and annually revised for the return on debt update in

206 AER, *Rate of return instrument*, February 2023, cl. 24, note 29.

207 In the case of making the annual adjustment for year 2, the previous year's AR would be the same as the approved expected MAR for year 1 as contained in the PTRM.

accordance with the formula specified in the *Rate of return instrument* calculated for the relevant year.[208]

The MAR used for transmission pricing is determined annually as part of the annual revenue adjustment process in accordance with the National Electricity Rules (NER). The MAR is determined each year by adding to (or deducting from) the allowed revenue:[209]

- the service target performance incentive scheme revenue increment (or revenue decrement)
- any approved pass through amounts
- any concessional finance adjustment amounts.

The annual MAR is established according to the following formula:

$$MAR_t = \text{(allowed revenue)} + \text{(performance incentive)} + \text{(pass through)} + \text{concessional finance adjustment}$$

$$= AR_t + ((AR_{t-2} \times ½) + (AR_{t-1} \times ½)) \times S_{ct} + P_t + CFA_t$$

where:

MAR = the maximum allowed revenue

AR = the allowed revenue

S = the percentage revenue increment or decrement determined in accordance with the service target performance incentive scheme

P = the pass through amount (positive or negative) that the AER has determined in accordance with clauses 6A.7.2 and 6A.7.3 of the NER

CFA = the concessional finance adjustment amount (negative) that the AER has determined in accordance with clauses 6A.3.3 and 6A.7.7 of the NER

t = time period/financial year (for *t* = 2 (2027–28), 3 (2028–29), 4 (2029–30))

ct = time period/calendar year (for *t* = 2 (2026), 3 (2027), 4 (2028)).

Basslink may also adjust the MAR for under- or over-recovery amounts. That is, if the revenue amounts earned from providing prescribed transmission services in previous regulatory years are higher or lower than the sum of the approved MAR

208 AER, *Rate of return instrument*, February 2023, cl. 9.

209 NER, 6A.3.2.

for those years, the difference can be included in the subsequent year's MAR. In the case of an under-recovery, the amount is added to the subsequent year's MAR. In the case of an over-recovery, the amount is subtracted from the subsequent year's MAR.

Table C.1 sets out the timing of the annual calculation of the AR and performance incentive.

Table C.1 Timing of the calculation of allowed revenues and the performance incentive for Basslink

t	Allowed revenue (financial year)	*ct*	Performance incentive (calendar year)
2	1 July 2027 – 30 June 2028	2	(1 January 2026 – 31 December 2026)/2
3	1 July 2028 – 30 June 2029	3	1 January 2027 – 31 December 2027
4	1 July 2029 – 30 June 2030	4	1 January 2028 – 31 December 2028

Appendix D - Assessment of the Transmission pricing methodology

This appendix sets out the reasons for our final decision to substitute Basslink's amended pricing methodology for the revised pricing methodology, for the 2026–30 period.

Assessment against the pricing principles for prescribed transmission services

We consider that Basslink's amended pricing methodology[210] meets the requirements of the pricing principles for Prescribed Transmission Services (pricing principles).[211]

The approach in the NER of requiring transmission network service provides (TNSPs) to adopt a pricing methodology in accordance with pricing principles, instead of requiring adherence to more prescriptive pricing rules, is intended to provide scope for TNSPs to develop pricing arrangements that address the circumstances in which they operate their network.[212]

Calculation of the aggregate annual revenue requirement (AARR) and allocation to annual service revenue requirement (ASRR)

Table D.1 summarises our review of how Basslink's amended pricing methodology calculates and allocates its AARR and how it meets the NER requirements.[213]

Table D.1 Basslink's proposed calculation and allocation of the AARR and the NER requirements

NER requirements	AER Assessment
Requirement that the AARR is the maximum allowed revenue adjusted as described in clause 6A.22.1	Section 2.1(c) of Basslink's amended pricing methodology complies with this requirement.
Requirement for the AARR and/or total regional AARR to be allocated to each category of prescribed transmission services in accordance with attributable cost share for each such category of services— clause 6A.23.2(a)—(a1)	Sections 2.1(e) and 2.1(e)(1) of Basslink's amended pricing methodology comply with these requirements.
Requirement for every portion of the AARR to be allocated and for the same portion of AARR not to be allocated more than once—clause 6A.23.2(c)	Sections 2.1(e) and 2.1(e)(1) of Basslink's amended pricing methodology comply with this requirement.

210 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026.
211 NER, cll. 6A.23 and 6A.24.1(c)(1).
212 AEMC, *Rule Determination: National Electricity Amendment (Pricing of Prescribed Transmission Services)* Rule 2006 No 22, 21 December 2006, pp. 27 – 28.
213 NER, cll. 6A.22.1, 6A.23.2.

NER requirements	AER Assessment
Subject to clause 11.6.11 of the NER, requirement for adjusting attributable cost share approach to asset costs that would otherwise be attributed to the provision of more than one category of prescribed transmission services—clause 6A.22.3(c)	Sections 2.1(e)(1) and 2.1(e)(2) of Basslink's amended pricing methodology comply with this requirement.

Allocation of the ASRR to transmission network connection points

We consider Basslink's amended pricing methodology for allocating the ASRR meets the relevant requirements of the NER.[214] Table D.2 summarises our assessment.

Table D.2 Basslink's proposed allocation of the ASRR and the NER requirements

NER requirements	AER assessment
Requirement for the whole ASRR for prescribed entry services to be allocated to transmission network connection points in accordance with the attributable connection point cost share for prescribed entry services that are provided by the TNSP at that connection point—clause 6A.23.3(i)	Sections 2.1(e)(3) and 2.1(f)(1) of Basslink's amended pricing methodology comply with this requirement.
Requirement for the whole ASRR prescribed exit services to be allocated to transmission network connection points in accordance with the attributable connection point cost share for prescribed exit services that are provided by the TNSP at that connection point—clause 6A.23.3(j)	Sections 2.1(e)(3) and 2.1(f)(1) of Basslink's amended pricing methodology comply with this requirement
Requirement for the allocation of the ASRR for prescribed transmission use of system (TUOS) services between: • pre-adjusted locational components; • pre-adjusted non-locational components; and how these are required to be adjusted; and how they are allocated to relevant connection points—clauses 6A.23.3(a) to (g)	Sections 2.1(f)(2) and 2.1(f)(3) of Basslink's amended pricing methodology comply with these requirements.
Requirement for adjusting attributable cost share and priority ordering approach to asset costs that would otherwise be attributed to the provision of more than one category of prescribed transmission services—clause 6A.22.3(c)	Section 2.1(e)(2) of Basslink's amended pricing methodology complies with this requirement.

214 NER, cll. 6A.22.2 and 6A.23.3.

NER requirements	AER assessment
Requirement for the ASRR for prescribed common transmission services to be adjusted by adding: • the operating and maintenance costs incurred in the provision of those services; • expected system security network support payments; and • any adjustments under clause 6A.7.2 that relate to reconciling a previous regulatory year of expected system security network support payments with actual system security network support payments, in each case to the extent that the relevant cost, payment or allowance was subtracted from the maximum allowed revenue—clause 6A.23.3(h)	Sections 2.1(b) and 2.1(c) of Basslink's amended pricing methodology comply with this requirement.

Development of price structure

We consider Basslink's amended pricing methodology for developing different prices for recovering the ASRR meets relevant requirements of the NER.[215] Table D.3 summarises our assessment.

Table D.3 Basslink's proposed pricing structure and the NER requirements

NER requirements	AER assessment
Requirement for separate prices for each category of prescribed transmission services—clause 6A.23.4(a)	Sections 2.1(g)(1) of Basslink's amended pricing methodology complies with this requirement.
Requirement for fixed annual amount prices for prescribed entry services and prescribed exit services—clause 6A.23.4(g)	Sections 2.1(g)(2) of Basslink's amended pricing methodology complies with this requirement.
Requirement for postage stamped prices for prescribed common transmission services—clause 6A.23.4(f)	Sections 2.1(g)(5) of Basslink's amended pricing methodology complies with this requirement.
Requirement for prices for locational component of prescribed TUOS services to be based on demand at times of greatest utilisation of the transmission network and for which network investment is most likely to be contemplated—clause 6A.23.4(b)(1)	Sections 2.1(g)(3) and 2.2(a) of Basslink's amended pricing methodology comply with this requirement.
Requirement for prices for the locational component of ASRR for prescribed TUOS services not to change by more than 2% per year compared with the load weighted average prices for this component for the relevant region—clause 6A.23.4(b)(2)	Sections 2.1(g)(3) of Basslink's amended pricing methodology complies with this requirement.

215 NER, cl. 6A.23.4.

NER requirements	AER assessment
Requirement for prices for the adjusted non-locational component of prescribed TUOS services to be on a postage stamp basis—clause 6A.23.4(e)	Sections 2.1(g)(4) and 2.3(a) of Basslink's amended pricing methodology comply with this requirement.
Setting of TUOS locational prices between annual price publications–clause 6A.23.4(b)	Sections 2.1(g)(3) and 2.2(a) of Basslink's amended pricing methodology comply with this requirement.

Assessment against the Pricing Methodology Guidelines for prescribed transmission services

We are satisfied that Basslink's amended pricing methodology complies with the information requirements that apply from the Pricing Methodology Guidelines.[216] Key features of the amended pricing methodology that illustrate the amended pricing methodology meets the information requirements are:

- An acknowledgment that there are multiple TNSPs in Victoria and Tasmania, that VicGrid is the appointed Coordinating Network Service Provider (CNSP) for Victoria and that TasNetworks is the appointed CNSP in Tasmania.[217]
- Its use of the priority ordering approach under clause 6A.22.3(c) of the NER.[218]
- A description of the billing arrangements as required by clause 6A.27 of the NER.[219]
- A description of the prudential requirements as required by clause 6A.28 of the NER.[220]
- The inclusion of hypothetical worked examples for:
  - Calculation of attributable cost shares.[221]
  - Allocation of ASRR to connection points.[222]

216 NER, cl. 6A.24.1(c)(2); AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, 3 July 2025, s. 2.1; AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, pp 3 – 7.

217 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 3.

218 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 4.

219 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 6.

220 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 6.

221 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, pp 3 – 4.

222 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 4.

- A description on how Basslink intends to monitor and develop records of its compliance with its amended pricing methodology, the pricing principles and Part J of the NER.[223]

The amended pricing methodology also explains how a number of information requirements do not apply to Basslink. These include:

- Basslink does not provide prescribed entry services or prescribed exit services.[224]
- Information related to inter-regional charging arrangements.[225]
- Requirements for the System Strength Service Provider and TNSPs that are not System Strength Service Providers. Basslink does not apply system strength charges because it is not a System Strength Service Provider and has no system strength connection points.[226]
- Requirements for when the TNSP has provided the AER with a confidential version of its pricing methodology.[227]
- Details of any derogation in accordance with chapter 9 of the NER.[228]
- Any transitional arrangements which apply in accordance with chapter 11 of the NER.[229]
- Description of any differences between the current pricing methodology and that proposed for the next regulatory control period and system strength charging period.[230]

In addition to the information requirements, the amended pricing methodology addresses the other applicable sections in the Pricing Methodology Guidelines, including:

- Permitted (locational) pricing structures.[231]
- Permitted (postage stamp) pricing structures.[232]

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223 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 7.

224 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 4.

225 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 5.

226 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, pp 5 – 6.

227 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 7.

228 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 7.

229 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 7.

230 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 7.

231 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 8; AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, 3 July 2025, s. 2.2.

232 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, pp 9 – 10; AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, 3 July 2025, s. 2.3.

- Attribution of transmission system assets to categories of prescribed transmission services.[233]
- Disclosure of information.[234]

The remaining sections of the Pricing Methodology Guidelines do not apply to Basslink because it is not a CNSP, System Strength Service Provider or a TNSP for a specified interconnector under an interconnector cost allocation agreement.[235]

233 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology*, February 2026, pp 11 – 13; AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, 3 July 2025, s. 2.4.

234 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, p 14; AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, 3 July 2025, s. 2.5.

235 AER, *Final Decision – Basslink Electricity Transmission Determination 2026 to 2030 – Approved Pricing Methodology,* February 2026, pp 14 – 15; AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, 3 July 2025, ss. 2.6 – 2.9.

Glossary

Term	Definition
AARR	Aggregate annual revenue requirement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ATO	Australian Taxation Office
APA	APA Group
Capex	Capital expenditure
CESS	Capital expenditure sharing scheme
CNSP	Coordinating Network Service Provider
CPI	Consumer price index
CPS	Control and protection system
DMIAM	Demand Management Innovation Allowance Mechanism
EBSS	Efficiency benefit sharing scheme
EUAA	Energy Users' Association of Australia
FCSPS	Frequency control special protection scheme
FEED	Front end engineering and design
HMI	Human Machine Interface
MAR	Maximum allowed revenue
MIC	Market Impact Component
NCC	Network Capability Component
NEL	National Electricity Laws
NEM	National Electricity Market
NEO	National Electricity Objectives
NER	National Electricity Rules
NPV	Net present value
Opex	Operating expenditure
PTRM	Post tax revenue model

Term	Definition
RAB	Regulatory asset base
RBA	Reserve Bank of Australia
RFM	Roll forward model
RORI	Rate of Return Instrument
RRG	Regulatory reference group
SAC4	Australian Statement of Accounting Concepts 4
SC	Service Component
SOCI	Security of Critical Infrastructure
SRA	Settlement residue auction
STPIS	Service target performance incentive scheme
TAB	Tax asset base
TMEC	Tasmanian Mineral, Manufacturing and Energy Council
TNSP	Transmission Network Service Provider
WARL	Weighted average remaining life