

AER Consumer Challenge Panel (CCP) 34

AusNet Services Transmission Regulatory Control Period 2027-32 (RP4)

Consumer Engagement Report

Advice to the Australian Energy Regulator (AER)

13 February 2026

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Acknowledgements

CCP34 wishes to acknowledge the staff from AusNet Services, who have been generous with their time, always willing to share insights into the business, and to include us in their engagement activities leading up to the Regulatory Proposal.

We thank the AusNet Transmission Stakeholder Advisory Panel (TSAP) for working with us, and allowing us to observe and, where appropriate, participate in their meetings and deliberations.

We also extend our gratitude to the AER staff for their support and guidance throughout this process.

Confidentiality

We wish to advise that to the best of our knowledge this Advice neither presents any confidential material nor relies on confidential information for any aspect of this Advice.

About the Consumer Challenge Panel sub-panel CCP34

The AER established the Consumer Challenge Panel (CCP) framework in July 2013 as part of its Better Regulation reforms. These reforms aimed to deliver an improved regulatory framework focused on the long-term interests of consumers.

The CCP assists the AER to make better regulatory determinations by providing input on issues of importance to consumers. The expert members of the CCP bring consumer perspectives to the AER to better balance the range of views considered as part of the AER's decisions.

CCP34 is a sub-panel of the AER's Consumer Challenge Panel. The AER established the sub-panel to focus specifically on the AER's regulatory determinations for the Victorian and Queensland electricity transmission businesses for 2027-2032.

The AER's *Better Resets Handbook* provides guidance to regulated utilities and the CCP regarding the engagement and provides a basis for this advice.

Acknowledgement of Country

CCP34 recognises the traditional owners of the lands on which AusNet Services operates, and the locations where this report was prepared. We respect the elders of these nations, past and present, along with the emerging leaders.

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Abbreviations and Acronyms

Acronym	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CAM	Capital Expenditure Adjustment Mechanism
CCP	Consumer Challenge Panel
CESS	Capital Expenditure Sharing Scheme
CPI	Consumer Price Index
DDTS	Dederang Terminal Station
DEECA	Department of Energy, Environment and Climate Action (Victoria)
DMIAM	Demand Management Innovation Allowance Mechanism
EBA	Enterprise Bargaining Agreement
EBSS	Efficiency Benefit Sharing Scheme
ELT	Easement Land Tax
ESV	Energy Safe Victoria (safety regulator)
HV	High Voltage
ICT	Information and Communications Technology
IAP2	International Association for Public Participation
ISP	Integrated System Plan
LACoP	Land Access Code of Practice
NEM	National Electricity Market
NER	National Electricity Rules
PV	Photovoltaic
RAB	Regulated Asset Base
RIN	Regulatory Information Notice
RP2	Regulatory Period 2 (2017-23)
RP3	Regulatory Period 3 (2023-27) current
RP4	Regulatory Period 4 (2027-32)
TRR	Transmission Revenue Reset
TSAP	Transmission Stakeholder Advisory Panel
VTP	Victorian Transmission Plan

Executive Summary

This report is provided to the Australian Energy Regulator (AER) to inform its assessment of the AusNet Services Transmission business (AusNet) proposed revenue requirement for the upcoming 2027-32 regulatory control period (RP4). The report focuses on, but is not limited to, the role of consumer and stakeholder engagement in shaping AusNet's proposal and responds directly to issues raised in the AER's Issues Paper for this determination.¹

The report has four objectives:

- a) To provide a concise and transparent overview of AusNet's 2027-32 revenue proposal and its key cost drivers, with a focus on the effect on energy consumers, including pricing.
- b) To provide an initial commentary on the prudence of the proposal from a consumer viewpoint, including of AusNet's costs and performance across a period longer than just the current and proposed regulatory periods.
- c) To assess where, and to what extent, consumer and stakeholder engagement has influenced the content, structure and risk allocation of the proposal.
- d) To respond to the relevant questions raised by the AER in its Issues Paper, from a consumer and engagement-informed perspective.

AusNet's transmission role

AusNet's role within the Victorian transmission framework has changed since the previous reset period. Responsibility for planning transmission network augmentations now rests with VicGrid, following the transfer of this function from AEMO in 2025.

AusNet remains responsible for the operation, reliability and safety of the existing transmission network. Its Transmission Revenue Reset (TRR) proposal therefore relates to the costs required to operate and maintain that network and sustain existing service levels.

In addition to supplying the five Victorian distribution networks, AusNet's transmission system directly supplies five large load customers. All other Victorian homes and businesses are supplied via the distribution networks.²

The proposal

AusNet's proposal reflects a materially changed operating environment relative to the previous regulatory period. The proposal seeks a significant increase in allowed revenue, driven primarily by asset refurbishment and replacement needs, escalating construction and labour costs, increased system complexity associated with the energy transition, and heightened expectations relating to resilience, safety and cybersecurity.

¹ Materials published by AusNet as part of its engagement for the TRR for RP4 can be found at <https://communityhub.ausnetservices.com.au/transmission-revenue-reset-2027-2032-engagement>. Materials published by the AER can be found at <https://www.aer.gov.au/industry/registers/determinations/ausnet-services-transmission-determination-2027-32>

² Source: TSAP meeting #1, induction, 21 October 2024, slide 9

Operating costs are proposed to increase significantly, due primarily to the revaluation of easements by the Victorian Government leading to higher Easement Land Tax (ELT).

Rising consumer investment in Consumer Energy Resources (CER), including rooftop PV and home battery systems, is moderating growth in energy volumes transported across the transmission network. As throughput growth slows, the ability to spread allowed revenue over higher energy volumes diminishes, placing further upward pressure on per-kilowatt-hour charges and, consequently, consumer energy prices.

While additional load from data centres is anticipated, the timing, scale, and location of this demand remain uncertain. This uncertainty - combined with the long lead times associated with major connection assets - adds complexity to demand forecasting and network planning.

AusNet, as with other transmission service providers, nominates the increasing influence of minimum network demand impacting system stability as a factor in the cost escalations.

While these drivers are largely external and structural in nature, the scale of the proposed uplift in costs to consumers raises important questions for the AER regarding prudence, efficiency, deliverability, risk and consumer impacts.

Consumer and stakeholder engagement

Consumer and stakeholder engagement undertaken by AusNet for the 2027-32 reset has been detailed and structured, with multiple engagement channels documented.

Engagement has been conducted through multiple channels against a comprehensive plan, most notably via a dedicated Transmission Stakeholder Advisory Panel (TSAP), supported by broader consultation with customers, consumer advocates, large energy users, landholders and other stakeholders.

The engagement program reflected many of the elements outlined in the AER's Better Resets Handbook,³ including early engagement, documented feedback loops and disclosure of supporting material.

In the earlier stages of engagement, we perceived that some TSAP members' limited familiarity with transmission operations and the regulatory reset framework constrained their ability to independently test aspects of the proposal. As engagement progressed, the depth of questioning increased. However, deliberations continued to rely materially on AusNet's views of risk, cost drivers and counterfactual scenarios. The TSAP's published position to date is generally supportive of AusNet's proposal, while identifying areas requiring further clarification and testing. Our position is broadly similar to that of the TSAP. We note, however, that deeper, more informed and bold challenging of the AusNet proposal would have given greater credence to its advice.

The engagement process extended beyond information provision ("inform")⁴ and included elements consistent with collaboration. Evidence from the consultation record indicates that stakeholder input contributed to refinements in specific aspects of the proposal, including:

³ Australian Energy Regulator. (2024). *Better Resets Handbook: A guide to energy network revenue resets*. <https://www.aer.gov.au>

⁴ Engagement Institute (2018). *IAP2 Spectrum of Public Participation*. <https://engagementinstitute.my.site.com/portal/s/article/IAP2-Public-Participation-Spectrum-Engagement-Institute>

- The sequencing and prioritisation of capital works
- The treatment of deliverability risk and the use of contingent projects
- The exclusion or modification of certain proposed operating expenditure step changes
- The framing of alternative approaches to incentive schemes and output measures
- The proposed smoothing of prices across the regulatory period.

Our assessment is that the TSAP ultimately reached a reluctant acceptance that the material increases in investment – and associated price rises – will be required. This position was not one of strong endorsement, but of conditional acceptance, accompanied by residual concern about the scale of expenditure and the degree of cost and delivery risk borne by consumers. Its acceptance reflects a conclusion that AusNet’s justification is technically robust, transparent and grounded in credible analysis.

The TSAP also indicated that it places substantial reliance on the AER’s independent assessment to validate this position. In effect, its acceptance of higher prices is contingent on regulatory scrutiny confirming that the proposed expenditure is efficient, that alternatives and timing have been rigorously tested, and that the resulting price impacts are justified.

Other impacts on price to consumers

The combined effect of the TRR, the Victorian Transmission Plan (VTP) and the Integrated System Plan (ISP) is a material increase in total transmission-related expenditure in Victoria, resulting in higher transmission charges for customers over the medium term. While current transmission bills are largely driven by the cost of maintaining the existing network and easement land tax obligations, the growing program of new transmission infrastructure associated with state and national planning frameworks will shift the composition of charges.

As these augmentation investments ramp up, AusNet’s controllable revenue is projected to decline as a proportion of the total transmission component of customer bills, from approximately 53% today to around 31% by 2032, indicating that a greater share of future transmission costs will be attributable to externally driven expansion projects rather than ongoing network operations.

Conclusion

The proposal

Through our CCP lens, we have not identified any material indicators to suggest that AusNet has deferred necessary maintenance, asset replacement or capacity investment over the past decade. Available safety performance data and publicly reported information from Energy Safety Victoria do not indicate systemic shortcomings in asset stewardship or maintenance practices. On this basis, we do not consider the cost increases evident in the current expenditure proposal to be the result of historic underinvestment.

We also recognise that the Victorian transmission framework has evolved materially with the establishment of VicGrid⁵ as the primary system planner, with AusNet Transmission operating principally as a regulated asset owner and operator within a more complex, multi-party delivery environment. This governance structure necessarily increases coordination and delivery complexity, particularly in relation to new connections and major transmission developments.

⁵ **VicGrid** is Victoria’s designated transmission system planner, established in 2023 under the *National Electricity (Victoria) Act 2005 (Vic)* (as amended).

Notwithstanding these structural changes and broader industry cost pressures, we consider AusNet's proposal to be broadly consistent with prudent and efficient network operation under the prevailing regulatory and market conditions.

Stakeholder engagement

The role of an engagement committee such as TSAP is to provide informed feedback to the key aspects of the AusNet proposal, particularly those that have a direct influence on the commercial and reliability performance for energy consumers, and those that impact the communities in which AusNet operates. This feedback can be support or disagreement. Similarly, we look for evidence as to how AusNet has listened and meaningfully responded to that feedback in its proposal.

Overall, AusNet has undertaken a comprehensive and credible engagement program for the 2027-32 reset. AusNet presented extensive detail of the proposal to TSAP. In some cases, we thought there was perhaps too much detail, as evidenced by the extent of pre-reading for some TSAP meetings. However, it was not until late in the engagement process that we observed that the details of the proposal were being meaningfully challenged.

Engagement outcomes demonstrate that consumers and other stakeholders had some influence on aspects of the proposal, broadly accepting the need for increased expenditure to maintain safety and reliability in a changing operating environment.

The narrative of 'inevitable increasing costs' is a shift away from the "stretch efficiency" narrative that characterised the previous reset. However, acceptance of higher costs should not be interpreted as endorsement of all elements of the proposal.

The scale, timing and risk allocation of the proposed expenditure warrant scrutiny by the AER to ensure that consumers only pay for prudent, efficient and deliverable investments.

Further investigation

Throughout the engagement, AusNet raised questions regarding the appropriate measurement of growth and the benchmarking of efficiency in a system characterised by rapid expansion of utility-scale renewable generation and storage, alongside increasing penetration of rooftop PV and consumer batteries.

AusNet also submitted that significant increases in key input costs — including steel, concrete, major electrical plant and contracted labour — are largely exogenous to the business and therefore not fully within management control. On this basis, it argued that regulatory efficiency frameworks should recognise the extent to which such cost pressures may distort the conventional assessment of capital efficiency.

CCP members have observed similar issues arising across other transmission businesses as they develop their forthcoming regulatory proposals, reflecting broader structural shifts in demand patterns, asset utilisation and system complexity.

We consider this to be a material regulatory issue warranting further examination. In our view, the Australian Energy Regulator is best placed to review the suitability of existing growth metrics and benchmarking methodologies in the context of contemporary transmission resets. Subject to timing, any such review should, where practicable, inform the final determination for this proposal.

1. Introduction and Context

1.1. Purpose of this Advice

This Advice is intended to assist the AER in its assessment of AusNet's 2027-32 electricity transmission revenue proposal. It is provided as an independent, consumer-focused assessment that includes:

- A brief review of AusNet's proposed costs and service outcomes,
- An analysis of AusNet's engagement with consumers and other stakeholders; and
- Responses to the AER's Issues Paper, informed by engagement outcomes and observed consumer preferences.

The Advice does not seek to replicate AusNet's proposal or the AER's own analytical work. Rather, it focuses on the interaction between engagement, cost drivers and regulatory judgement from an energy consumer viewpoint.

1.2. Scope and limitations

This Advice focuses primarily on AusNet's prescribed transmission services.

It does not undertake a detailed engineering or financial audit of AusNet's forecasts. Nor does it assess matters outside the scope of the 2027-32 reset such as the role and influence of VicGrid, except where the transfer of responsibility from AEMO to VicGrid should reasonably impact the costs of AusNet's operations. Where detailed analysis is required, the report relies on publicly available material and observed engagement outcomes.

The analysis and information contained in this report have been prepared using reasonable endeavours to ensure that all data extracted, processed and summarised, including with the help of artificial intelligence-based tools, are accurate, current and drawn from credible source materials available at the time of preparation.

The dataset used in this advice is analytically constructed and internally consistent, but does not replicate the RIN tables verbatim. The AER will apply its own inflation indices, demand forecasts and efficiency adjustments in its determination. Accordingly, the figures presented here are intended to illustrate relative trends, scale and indicative consumer impacts, rather than to reproduce final building block outcomes or historical expenditure with precision.

While reasonable steps have been taken to verify key inputs and reconcile information to primary sources where practicable, absolute accuracy, completeness or timeliness cannot be guaranteed. Accordingly, this report should be read in conjunction with the original source documents, and no representation is made that the information is free from error or omission.

1.3. Structure of this Advice

- **Section 2** provides an overview of AusNet's 2027–32 revenue proposal, including key cost drivers, capital and operating expenditure trends, demand forecasts and indicative customer price impacts.
- **Section 3** examines consumer and stakeholder engagement, including the structure, depth and quality of the engagement program and the role of the Transmission Stakeholder Advisory Panel (TSAP).

- **Section 4** identifies where engagement influenced the proposal, mapping stakeholder feedback to observable changes in expenditure, risk treatment and pricing approaches.
- **Section 5** responds to the AER's Issues Paper, including matters relating to VicGrid interaction, replacement expenditure and long-term consumer outcomes.
- **Section 6** sets out concluding observations relevant to the AER's assessment of prudency, efficiency, deliverability and consumer risk.
- **Appendices** provide supporting quantitative data, summaries of TSAP meetings, and summaries of engagement deep dives referenced in the body of the Advice.

2. Overview of the Revenue Proposal

Box 1: Use of Real and Nominal Values in this Report

Unless otherwise stated, expenditure and revenue figures in this report are presented in **real (inflation-adjusted) dollars**. Presenting values in real terms removes the effect of general price inflation (CPI) and allows meaningful comparison across regulatory periods. This approach isolates underlying changes in resource costs, investment levels and efficiency, consistent with the Australian Energy Regulator's building block framework.

We recognise that customers, however, pay transmission charges in **nominal dollars**. Nominal values reflect the actual dollar amounts appearing on bills in a given year. Where bill impacts or annual tariff movements are discussed, nominal figures may be referenced to reflect customer cashflow effects.

Unless otherwise stated, all real values in this report are expressed in 2026–27 dollars.

2.1. Headline proposal parameters

2.1.1. Proposed Revenue

AusNet's proposal for the 2027–32 regulatory control period represents a material increase in allowed revenue relative to the 2022–27 determination.

- In real 2026–27 dollars, total revenue over the period is approximately \$4,338 million, compared with approximately \$3,371 million in the current period — an increase of around 29% in real terms.
- In nominal smoothed terms, the proposal seeks \$4,696 million, reflecting the impact of inflation and revenue smoothing mechanisms. Annual revenues increase materially over the period, with the later years significantly above the closing year of the current regulatory period.

The principal drivers of the real revenue increase are:

Easement Land Tax (ELT):

ELT increases from approximately \$300–350 million over 2022–27 to approximately \$1.4–1.5 billion over 2027–32 (nominal), contributing roughly \$1.1 billion to the overall uplift. This is a state-imposed charge and is largely outside AusNet's control.

Return on capital:

A higher real cost of capital combined with a growing Regulated Asset Base (RAB) contributes approximately \$700–900 million in additional revenue over the period.

Capital expenditure growth (net of depreciation):

Increased replacement and resilience investment adds approximately \$400–500 million, largely associated with ageing asset replacement, compliance and system security.

Controllable operating expenditure (excluding ELT):

Real operating expenditure increases by approximately \$100–150 million across the period, reflecting step changes and growth-related costs.

2.1.2. Bill Impacts

Transmission charges currently account for approximately 5–6% of a typical residential electricity bill. Under the proposal, the transmission component of residential bills increases by approximately \$8 per annum on average over the regulatory period. For small business customers, the increase is approximately \$25–50 per annum, depending on consumption levels.

While the transmission component increases materially (approximately 43% nominal by 2032), the overall impact on total retail bills is estimated to be approximately 2% over the regulatory period for typical residential customers. Larger industrial and transmission-connected customers will experience more substantial nominal increases due to their higher exposure to transmission charges.

It is important to note that these impacts relate only to AusNet’s Transmission Revenue Reset proposal. Additional upward pressure on transmission charges will arise from augmentation projects under the Victorian Transmission Plan (VTP) and the Integrated System Plan (ISP), which are outside the scope of this proposal.

Table 1 summarises the key quantitative elements of AusNet’s 2027–32 proposal in real 2026-27 dollars, compared with the 2022–27 determination and indicative outturn.

Of concern is the increase in the Regulatory Asset Base (RAB) over the period. This increase will be a significant factor in transmission prices for many years to come, meaning future costs are ‘built in’. This highlights the need for detailed scrutiny of the capital investment portfolio.

Metric (real 2026-27)	Determination (RP3)	RP3 forecast outturn (indicative)	2027–32 Proposal (RP4)	Change vs RP3 determination
Total revenue (\$bn)	~3.37	~3.55	~4.34	+29%
Average annual revenue (\$m)	~674	~710	~868	+29%
Total capital expenditure (\$bn)	~1.69	~1.89	~2.44	+49%
Total operating expenditure (\$bn)	~0.62	~0.60	~0.75	+21%
RAB at end of period (\$bn)	~3.36	~3.65	~5.30	+55%

Table 1: Quantitative snapshot of AusNet’s RP4 proposal compared with past allowances and performance.⁶

2.1.3. Combined Impact of TRR, VTP and ISP

The combined effect of the TRR, VTP and ISP will result in a material increase in total transmission-related expenditure in Victoria over the next decade. While AusNet’s current transmission charges are primarily driven by maintenance of the existing network and easement land tax obligations, the growing program of augmentation investment will shift the composition of transmission costs.

As augmentation expenditure ramps up, AusNet’s controllable revenue is projected to decline as a share of the total transmission component of customer bills — from approximately 53% today

⁶ Figures are rounded and indicative. Outturn reflects expected outcomes prior to incentive scheme adjustments

to around 31% by 2032. This indicates that a progressively larger proportion of future transmission charges will be driven by externally planned augmentation projects rather than the ongoing operation and maintenance of the existing network.

2.2. Capital expenditure overview

AusNet proposes a marked increase in capital expenditure relative to both the previous allowance and the forecast outturn for the current period. Much of this increase is associated with:

- Replacement of ageing transmission assets,
- Investment to manage increased system complexity arising from renewable generation and storage,
- Resilience and compliance-related investments, and
- Supporting ICT and operational technology.

The scale and timing of this program represent a departure from historical expenditure patterns.

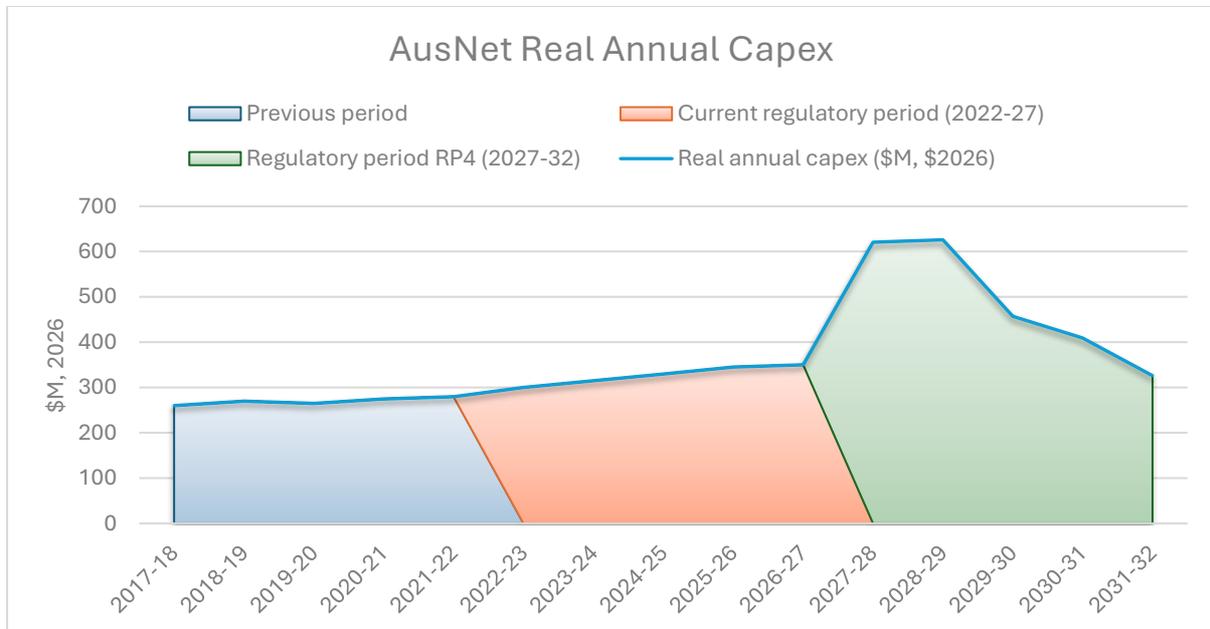


Figure 1. AusNet real annual capex (Source RIN Workbooks 1 and 2, AER Issues paper). ⁷

Figure 1 above presents a comparison of AusNet’s annual capital expenditure expressed in real 2026–27 dollars. Nominal annual capex totals from the RINs have been converted to real terms using lagged CPI consistent with AER practice. The figure is intended to illustrate trends and relative scale rather than replicate the AER’s final building block calculations.

Real annual capital expenditure exhibits a steady and moderate upward trajectory through the previous and current regulatory periods, increasing from approximately \$260 million in 2017–18 to \$350 million by 2026–27.

⁷ Note: Capex for the 2027–32 regulatory period is sourced from the Capital Expenditure Model (Output | RIN, “TOTAL GROSS CAPEX”), expressed in real 2026–27 dollars.

At the commencement of the 2027–32 regulatory period (RP4), there is a clear step-change in expenditure, with capex increasing sharply to approximately \$620–626 million in the first two years. Expenditure then declines progressively across the remainder of the period, falling to approximately \$326 million by 2031–32.

The overall profile therefore reflects:

- A stable and gradually increasing base through RP2 and RP3
- A pronounced uplift at the start of RP4
- A front-loaded investment program, with expenditure tapering in the latter years.

This pattern highlights the concerns by stakeholders regarding the ability for AusNet to resource a capital programme that varies significantly across the period.

AusNet highlighted several delivery risk mitigation strategies to their TSAP, who were largely accepting of this information. While stakeholder engagement indicates broad acceptance of the need for increased investment to address asset condition, system complexity and resilience, the scale and persistence of the proposed uplift underscore the importance of close scrutiny of deliverability, prioritisation and consumer risk.

2.3. Forward planning challenges

AusNet presented the challenges of capital works in the emerging environment of constrained supply of major plant and materials. This information was presented verbally to their TSAP. The Powerlink 2025 State of the Network Report,⁸ raised a similar issue, as shown in Figure 2 below.



Figure 2. Major transmission plant cost and lead times (Source: Powerlink Queensland, 2025)

⁸ Powerlink Queensland. (2025). *State of the network presentation 2025*. Powerlink Queensland. <https://www.powerlink.com.au>

2.4. Operating expenditure overview

In examining the changes to operating cost, it is useful to exclude from the examination the impact of the easement land tax which is imposed by the Victorian Government. Operating expenditure is proposed to increase relative to the current regulatory allowance. AusNet attributes this to:

- Labour cost increases, including those arising from enterprise bargaining outcomes;
- Increased operational complexity;
- Cybersecurity and regulatory compliance obligations; and
- Ongoing support costs associated with capital investments.

While some proposed step changes were ultimately not included following engagement, the overall opex trajectory remains upward.

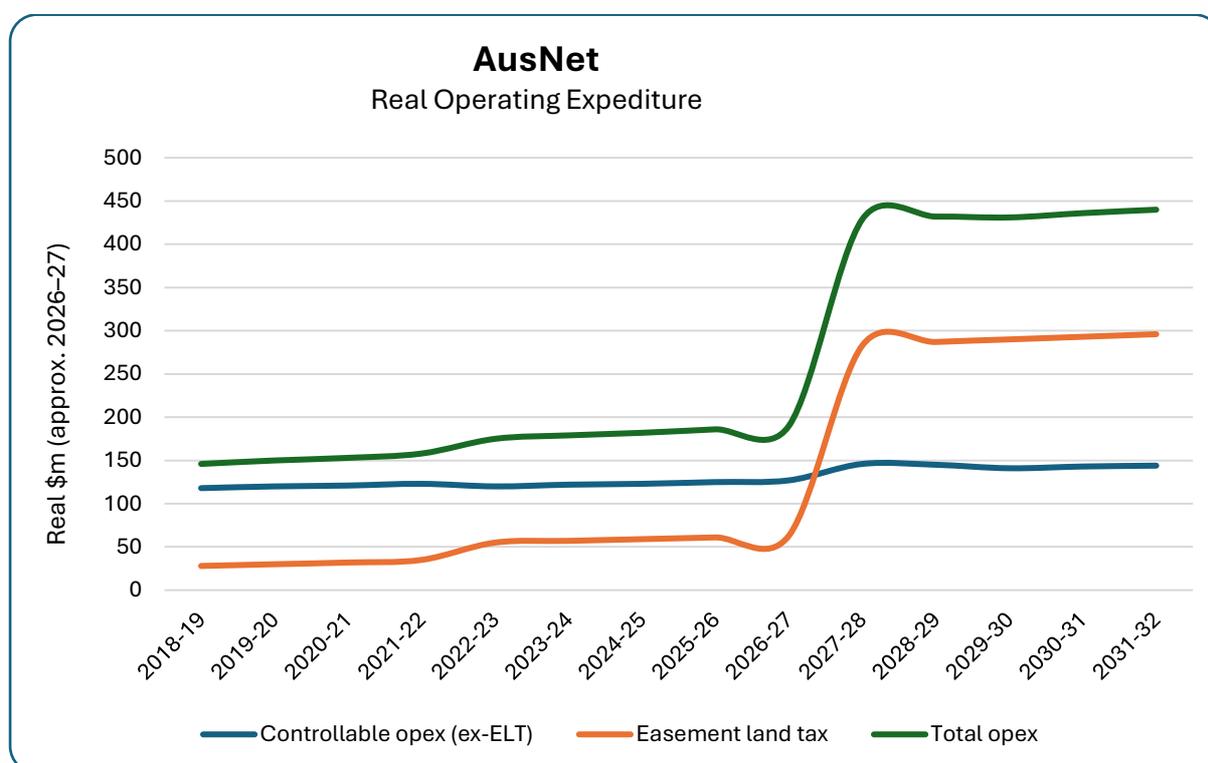


Figure 3. AusNet Transmission real operating expenditure (Source RIN Workbooks 1 and 2, AER Issues paper)

AusNet proposes total operating expenditure of \$2,169 million (real 2026–27) for 2027–32, comprising approximately \$720 million in controllable opex and \$1,449 million in non-controllable costs.

Controllable opex averages around \$144 million per year, a 19% increase on the current allowance. The proposed base year (2025–26) reflects AusNet’s revised organisational structure and is supported by benchmarking. Growth is primarily driven by step changes in digital capability (including control room, cyber security and asset management systems) and enhanced landholder engagement, partly offset by a \$3 million productivity improvement.

Non-controllable costs are dominated by easement land tax (ELT), which totals \$1,415 million (98% of non-controllable opex) and accounts for around 67% of total opex. The balance comprises AEMO participant fees and debt raising costs. ELT is therefore the principal driver of opex growth over the period.

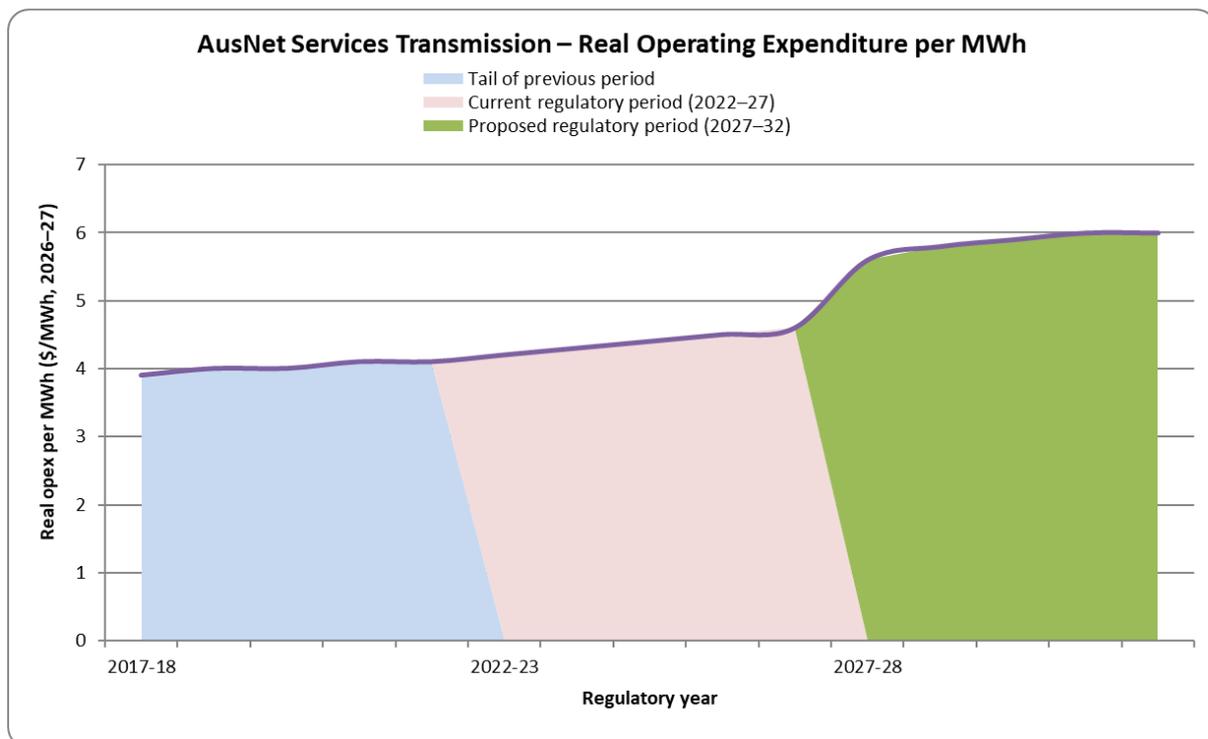


Figure 4. AusNet Transmission real operating expenditure (normalised to MWh delivered)

(Source RIN Workbooks 1 and 2, AER Issues paper)

Easement land tax

The step-change in easement land tax from 2026-27 reflects a material increase in statutory land tax assessments determined by the Victorian State Revenue Office, rather than changes in AusNet’s operating practices or discretionary expenditure. AusNet advises that updated state-wide land valuations have been applied to transmission easements, resulting in higher assessed site values across its network. Given the extensive geographic footprint of transmission easements, this valuation changes give rise to a significant increase in tax payable.

AusNet further explains that recent assessments incorporate a reconciliation of previously under-assessed easement interests, supported by improved valuation data and identification processes. Consistent with this, the 2027-32 forecasts are based on actual State Revenue Office assessments and advice, replacing the trend-based forecasting approaches used in earlier regulatory periods. This has resulted in a discrete step-change at the boundary between periods, rather than a gradual escalation over time.

AusNet does not attribute the increase to any new Victorian legislation, government direction, or expansion of the easement footprint commencing in 2026-27. The easement land tax is therefore appropriately characterised as an external and non-controllable cost, which is unique to Victoria. It is therefore appropriate to be excluded from assessments of AusNet’s underlying operating efficiency.

We see this charge as being revenue collected by AusNet on behalf of the Victorian Government. Such a mechanism does not exist to the same extent in other jurisdictions.

2.5. Demand forecasts

Energy delivered

AusNet forecasts that annual energy delivered across the transmission network remains broadly flat to slightly declining over the 2027-32 period. This reflects continued growth in rooftop PV and behind-the-meter generation, which reduces net energy transported across the transmission system despite ongoing electrification. The proposal notes that minimum operational demand has fallen materially over the past decade, while total energy delivered has not grown commensurately with population or economic activity.

The forecasts are aligned with AEMO's recent NEM and Victorian outlooks and are used opex benchmarking metrics (e.g. opex per GWh delivered).

Maximum demand

In contrast, maximum demand is forecast to increase, particularly at critical nodes. Drivers include electrification of transport and industry, large customer connections (e.g. data centres and batteries), and changing load shapes associated with high renewable penetration. AusNet explicitly links growth in maximum demand to increased risk of supply disruption, and the need for asset replacement and resilience investments.

The combination of flat energy delivered and rising maximum demand is a key structural feature of the forecast. It is internally consistent with observed trends (lower minimum demand, more volatile load profiles) and is a standard feature of contemporary transmission planning.

Importantly, this divergence explains why network risk and capital needs can increase even when energy throughput does not, and why metrics based solely on energy delivered can understate emerging system pressures.

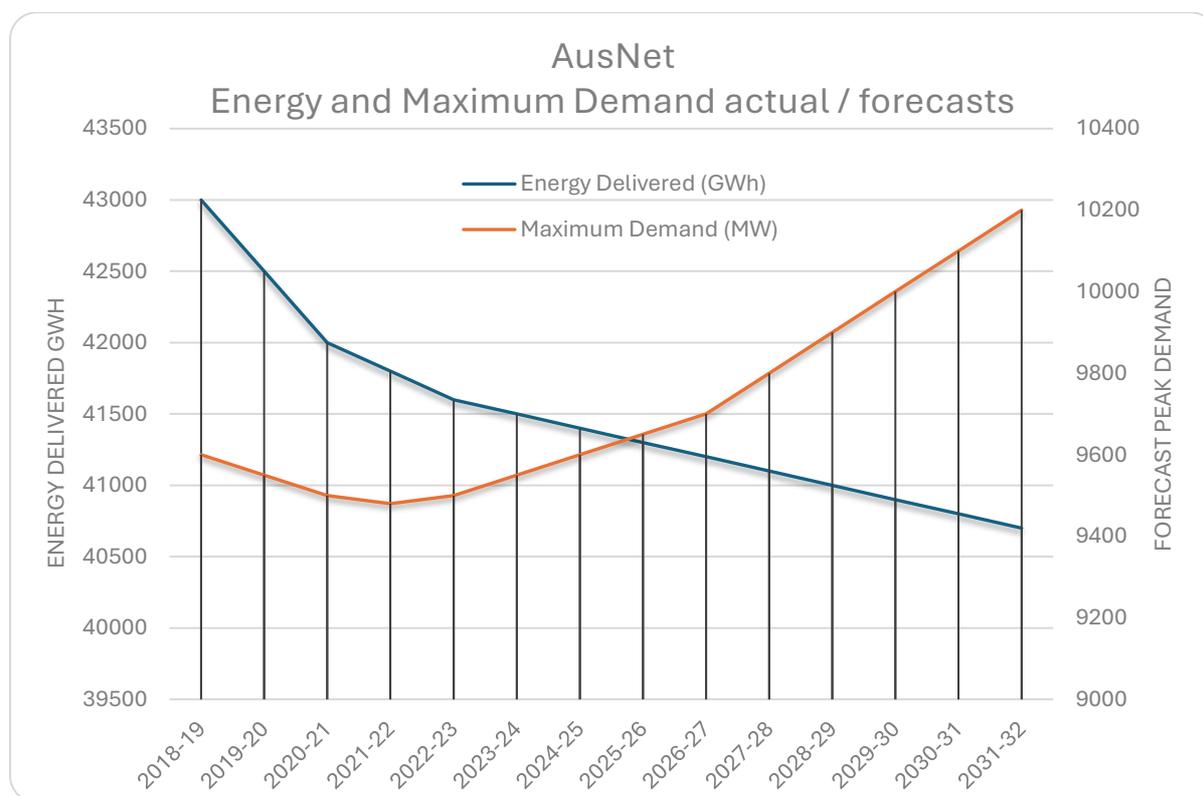


Figure 5. Energy and demand forecast (source: AusNet)

2.6. Customer price impacts

AusNet tariffs have exhibited a long period of relative stability in real terms, followed by a step-change increase in the late 2020s, driven primarily by external cost pressures rather than changes in tariff design or network utilisation.

Over the decade prior to the 2022-27 regulatory period, average transmission tariffs in Victoria were broadly flat or declining in real terms. This outcome reflected:

- Stable operating expenditure that included some operating efficiencies,
- Relatively low allowed rates of return, particularly during periods of historically low interest rates, and
- Efficient utilisation of a largely sunk transmission asset base, including the 500 kV backbone.

During this period, tariff outcomes were largely decoupled from underlying asset age, with refurbishment and replacement costs deferred or smoothed through regulatory mechanisms.

By contrast, AusNet's 2027-32 proposal implies a material step-change in tariffs. AusNet estimates average nominal transmission tariffs will be around 6.6 per cent higher over the 2027-32 period compared with 2026-27 levels, with transmission charges accounting for around 5-6 per cent of total electricity bills. The AER's Issues Paper indicates that this increase is primarily driven by higher forecast capital and operating expenditure, alongside a higher regulated rate of return.

Current period RP3 (2022-27)

In the 2022-27 period, tariffs began to increase modestly in real terms, reflecting:

- Higher allowed rate of return relative to the prior period;
- Commencement of increased asset replacement expenditure; and
- Early impacts of rising easement land tax.

However, increases remained contained, and average transmission charges continued to represent a relatively small component of total customer bills.

Forward-looking period RP4 (2027-32)

The 2027-32 proposal implies a material increase in average transmission tariffs, consistent with an approximate 60% increase in total allowed revenue in real terms relative to 2022-27.

Importantly, the proposal indicates that:

- The dominant drivers are easement land tax and financing costs, not growth in energy delivered or controllable opex.
- Energy delivered is forecast to remain flat, meaning higher revenues are recovered over a similar throughput base.

AusNet estimates that the transmission component of customer bills will increase over the 2027-32 period. While average household impacts are often cited, engagement feedback suggests that the average bill impacts mask significant variation across customer classes. Large and directly connected customers may face materially higher exposure. As well as seeking minimised bills, many consumers also value price stability and predictability to assist with budgeting in the current increased cost-of-living environment.

AusNet's transmission tariffs exhibit a clear upward trend across recent and proposed regulatory periods, driven primarily by growth in the underlying revenue requirement. During the current 2022-27 period, transmission charges increased modestly in real terms, reflecting relatively stable annual capital expenditure and operating costs, partially offset by incentive scheme outcomes.

Trend analysis of expenditure per MWh shows that tariff increases are not solely attributable to changes in energy throughput. Instead, both capex per MWh and opex per MWh increase materially in the proposed period, implying higher unit costs faced by consumers. While AusNet has proposed smoothing mechanisms to moderate year-to-year impacts, the underlying trajectory of transmission tariffs is upward, with sustained increases across the proposed regulatory period rather than a short-term adjustment.

Recent and forecast tariff increases represent a break from a long period of relatively suppressed transmission prices, driven by external fiscal and financial factors, rather than deterioration in operating efficiency or tariff methodology.

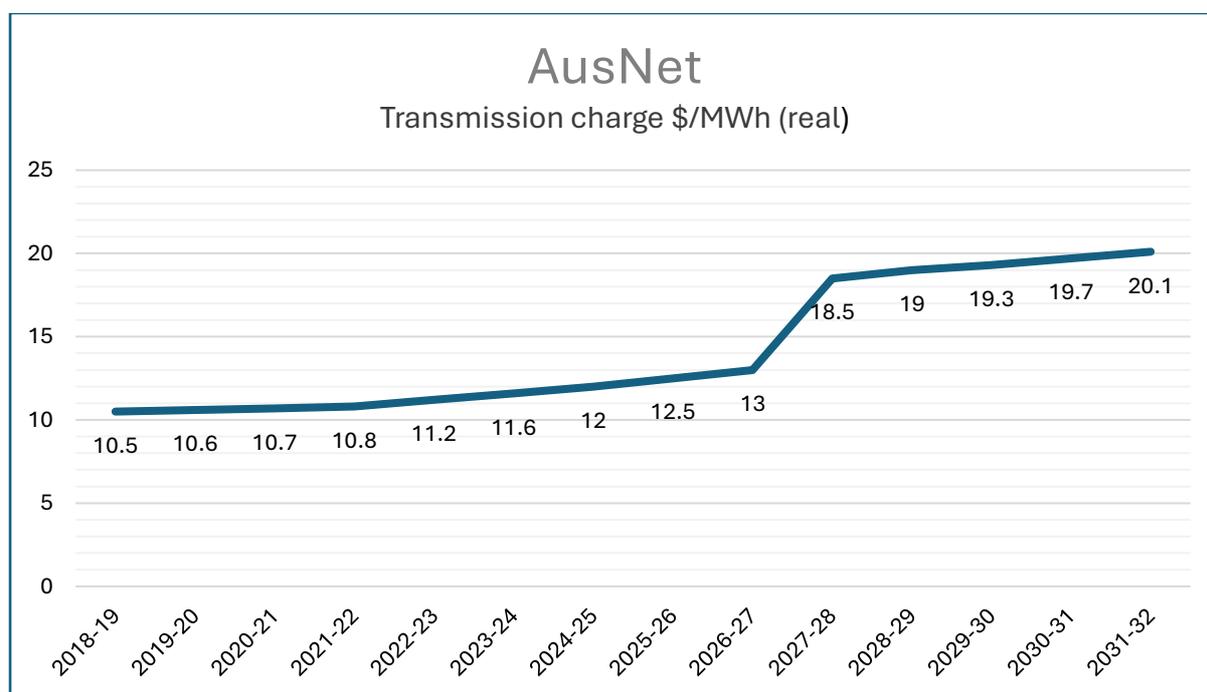


Figure 6. Energy and demand forecast (source: AusNet, CCP analysis)

2.7. Forecast versus actual performance in the current period

Engagement discussions frequently returned to the question: what has worked, and what has not worked, in the current period?

In the current regulatory period, AusNet's actual expenditure is expected to exceed the AER's allowance. This has implications for:

- The application of the Capital Efficiency Sharing Scheme (CESS);
- The credibility of forecasts submitted in the previous reset; and
- Stakeholder confidence in delivery claims for the next period.

AusNet's capital expenditure in the current period has tracked below the AER allowance in the early years, with a pronounced uplift forecast in the final two years. This pattern suggests project

timing deferrals and concentrated delivery activity, likely associated with major station works and long-lead equipment procurement, rather than sustained overspend

2.8. Features of the 2027-32 proposal

a) *Timing Risk Is Material*

The current period demonstrates that capital programs can be deferred and then compressed into later years. This creates:

- Delivery risk (resource and contractor constraints)
- Cost risk (escalation and supply chain exposure)
- Increased execution pressure

A front-loaded capex profile must be supported by credible procurement sequencing, workforce planning, and evidence that delivery capability is already in place.

b) *Allowance vs Delivery Profile Matters More Than Aggregate Totals*

Aggregate underspend does not eliminate risk if expenditure is back-ended. The pattern of expenditure is as important as the total.

The AER should scrutinise annual phasing, not just total capex, particularly in the first two RP4 years.

c) *Efficiency Targets Must Reflect Cost Volatility*

The current period has coincided with supply chain shocks and inflation volatility. Overly aggressive efficiency assumptions can undermine deliverability.

Efficiency claims should be benchmark-supported and stress-tested against realistic input cost assumptions.

d) *Major Project Concentration Increases Execution Risk*

Late-period uplift in the current period appears linked to major station projects and long-lead equipment procurement.

Concentrated major works in early RP4 heighten execution risk and warrant contingency transparency.

e) *Transparency on Risk Allocation Is Critical*

Where expenditure is driven by exogenous factors (e.g. ELT, supply chain pressures), risk allocation between consumers and shareholders should be articulated clearly.

Box 2: Is there evidence of under-investment in maintenance or refurbishment of HV assets?

One issue worth exploring is the possibility that the construction of the 500 kV system in the early 1980s provided an opportunity for the SEC (at the time) and its successors to systematically under-invest in the maintenance or refurbishment of its 220 kV transmission assets in prior regulatory periods as a result of changed system security or power flows.

On analysis, there does not appear to be substantive evidence to indicate a pattern of sustained under-spend or deferral of maintenance or replacement expenditure that would be expected if material under-investment had occurred.

First, historical capital and operating expenditure outcomes are broadly consistent with regulatory allowances, with no prolonged or material under-expenditure that would suggest maintenance or refurbishment has been inappropriately deferred.

Second, Energy Safe Victoria has not made findings that AusNet (or its predecessors) systematically underinvested in maintenance or allowed the transmission network to deteriorate below acceptable safety standards.

In cases of significant transmission incidents (including tower collapses or storm-related failures), investigations have generally found that:

- Assets were maintained in accordance with prevailing standards; and
- Failures were driven by extreme external events (wind, fire, or soil movement), rather than deferred maintenance or lack of expenditure.

This distinction is important: failure ≠ underinvestment in the regulatory or safety sense.

It is also relevant that transmission maintenance practices have been subject to ongoing safety oversight for decades, and any sustained pattern of underinvestment or poor maintenance would be expected to manifest in formal enforcement actions, safety directions, or adverse public findings, none of which exist at a system-wide level.

There is no evidence in public Victorian safety regulator reporting that the electricity transmission network has suffered from systemic underinvestment or poor maintenance. Observed asset issues are more accurately characterised as the consequence of asset age and increasing external stresses such as severe weather, rather than historical neglect

Finally, AusNet's asset management approach is risk- and condition-based. Asset replacement is proposed where assessed failure risk exceeds tolerable thresholds, rather than on asset age alone.

The need for increased replacement expenditure in the 2027-32 period is consistent with assets reaching or exceeding their design lives, and being operated under materially different conditions as compared to those prevailing at the time of commissioning.

It is reasonable to conclude that the increased replacement activity proposed for both the 500 kV and 220 kV assets reflects changes in operating conditions, including higher utilisation, more volatile power flows associated with the energy transition, and increased resilience requirements, rather than a correction for historic under-investment.

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3. Consumer and Stakeholder Engagement

3.1. Overview

AusNet undertook an extensive and structured engagement program to inform its 2027-32 Transmission Revenue Reset proposal, including a standing Transmission Stakeholder Advisory Panel (TSAP) and a series of targeted deep dives on priority issues. Engagement consistently focused on affordability, deliverability, transparency, and the need to balance near-term cost pressures with long-term system risk.

Stakeholders broadly supported the scale and direction of AusNet's proposed capital program, particularly where investments were clearly linked to reliability and resilience outcomes. There was strong endorsement of targeted resilience investments, including tower strengthening, critical transformer replacements, and digital capabilities, provided that benefits to customers were clearly articulated, and delivery risks were managed.

On operating expenditure, stakeholders supported the use of a recent base year and standard productivity assumptions, while emphasising the importance of transparency and appropriate treatment of uncontrollable costs. Engagement on connections highlighted material concerns with timelines, cost certainty, and coordination between AusNet, planners and other agencies. In response, AusNet committed to increased resourcing, improved cost breakdowns, clearer process information, and continued advocacy for broader structural reforms led by VicGrid.

Landholder engagement deep dives reinforced the need for improved service standards and communications, which have been incorporated into the proposal in a targeted and proportionate manner. Overall, engagement outcomes directly informed proposal design, prioritisation and narrative, and provide evidence that the proposal reflects stakeholder priorities and customer interests.

3.2. Engagement objectives and framework

AusNet's engagement framework for the Transmission Revenue Reset (TRR) 2027–32 was structured around a co-designed, multi-stream model intended to meet and exceed the Australian Energy Regulator's Better Resets expectations.

The Engagement Plan describes a “living document” approach, developed in collaboration with the Transmission Stakeholder Advisory Panel (TSAP), with clearly articulated objectives: to focus on the “right” topics where stakeholders could influence outcomes; to welcome open, honest and challenging conversations; to allow both breadth and depth of engagement; to involve the right stakeholders in the right discussions; and to demonstrate clearly how stakeholder input shaped plans and customer outcomes.⁹

The framework comprised three interlinking engagement streams:

- (1) Ongoing TSAP meetings;
- (2) Targeted “deep dives” on key technical and economic topics (e.g. risk allocation, resilience, new connections, transition to net zero); and

⁹ AusNet Services, *Transmission Revenue Reset 2027–32 Stakeholder Engagement Plan*, 31 July 2024, Sections 4.1–4.2 (Engagement Objectives and Engagement Process), pp. 11–13

- (3) Broader engagement through surveys, forums and research programs, including alignment with existing distribution network engagement activities.

Governance arrangements included independent TSAP reports to accompany the draft and final proposals.¹⁰

Our observations show that the engagement was not limited to information provision. Engagement also enabled substantive discussion of expenditure drivers and pricing-relevant issues. At the inaugural TSAP meeting (21 October 2024), members discussed capex step changes, cost allocation (“who pays for what”), resilience expenditure, contingent projects and demand-side projections.

The TSAP also articulated criteria for selecting topics, emphasising areas where AusNet had “room to move”, issues affecting multiple stakeholder groups, and sequencing decisions to reflect regulatory or policy uncertainty. These exchanges are consistent with the stated objective of focusing on influenceable, material issues and facilitating challenging, principle-based discussions.

There is evidence that the framework was adaptive and responsive. During the process, AusNet sought direct feedback on the engagement process and clarified the role of the TSAP and contextual transmission-specific issues, including interactions with VicGrid, the AER, and CCP. This discussion materially improved TSAP members’ understanding of AusNet’s approach, and the role of TSAP members in the engagement framework and meeting the engagement objectives. Taken together, the documented governance mechanisms, the scope and substance of TSAP deliberations, and iterative improvement, provide evidence that AusNet’s engagement framework was operationalised in practice and broadly aligned with its stated objectives.

3.3. Engagement mechanisms

The Engagement Plan positioned the TSAP as the central deliberative body — independently chaired, comprising representatives from major customer and industry groups — with a formal role in testing economic and technical inputs to the Revenue Proposal, and providing independent reports to accompany the draft and final submissions.

Deep dives were intended to facilitate structured examination of complex or material issues (e.g. risk allocation, resilience, new connections, transition to net zero), enabling depth beyond general consultation. Broader engagement was designed to ensure breadth, using surveys, forums, direct meetings, Community Hub publication, and integration with existing engagement programs (including business-as-usual research). With respect to broader engagement mechanisms, the Engagement Plan committed to leveraging existing research programs, engaging directly connected customers and renewable developers, coordinating with the Customer Consultative Committee, and maintaining transparency through the Community Hub.

Overall, the documentary record supports that the engagement mechanisms were deliberately structured to balance deliberative depth (TSAP and deep dives) with broader stakeholder reach (surveys, research integration, forums, direct meetings and digital channels), and that at least qualitatively, those mechanisms operated in a manner consistent with their stated objectives of transparency, influence, and iterative improvement.

¹⁰ AusNet Services, *Transmission Revenue Reset 2027–32 Stakeholder Engagement Plan*, 31 July 2024, Section 5.1 (Governance), p. 16

3.4. Quality and depth of engagement

3.4.1. The TSAP process

Technical Scrutiny and Information Access¹¹

Across multiple meetings, the TSAP was provided with detailed information on:

- Major station replacement projects and associated economic timing analysis;
- Asset replacement methodologies, including probability and consequence of failure modelling;
- Unit rate escalation and cost drivers;
- Deliverability modelling, including labour, material and outage constraints; and
- Digital and cyber security investment programs.

Panel members raised substantive questions regarding cost escalation, incentive schemes (including the Capital Expenditure Sharing Scheme), RIT-T processes, outage risks, and deliverability constraints.

The level of engagement was not limited to high-level consultation. The TSAP engaged with technical and economic inputs at a meaningful level.

However, the TSAP relied on modelling, assumptions and economic inputs developed by AusNet. While those inputs were interrogated, there is limited evidence of independent benchmarking or external validation commissioned by the TSAP itself. Final prudence and efficiency assessments were consistently acknowledged as matters for the AER.

Influence on Project Prioritisation and Governance

The clearest area of TSAP influence relates to project classification and governance mechanisms.¹² The TSAP contributed to discussions on:

- The categorisation of projects as “included,” “contingent” or “deferred”;
- The appropriateness of contingent projects as a tool to manage deliverability risk;
- The development of trigger criteria, including Board approval and engagement with the TSAP as a hurdle prior to submission to the AER; and
- Re-profiling of capex to better align with deliverability constraints.

There is evidence that project classifications and aspects of the capex forecast were refined following TSAP engagement. The TSAP also played a substantive role in shaping governance arrangements around contingent projects.

The role of the TSAP, while influential, was advisory rather than determinative. Discussions regarding “empowerment” of the TSAP in trigger decisions were qualified, and future continuity of this role was acknowledged as dependent on governance arrangements and Panel membership.

¹¹ AusNet Services, *TRR 2027–32 Transmission Stakeholder Advisory Panel (TSAP) – Summary Notes for Meeting #1*, 21 October 2024, pp. 2–3 (TSAP role, scope and influence criteria).

¹² AusNet Services, *TRR 2027–32 TSAP Meeting #5 – Capex Summary*, 5 June 2025, pp. 5–12, 14–15 (major stations, asset replacement methodology, economic timing and unit rate discussion)

Affordability and Consumer Perspective

The TSAP engaged actively on affordability, narrative framing and the value proposition to customers. Members emphasised the importance of:

- Clearly articulating bill impacts
- Framing expenditure as “lowest cost for best value”
- Communicating the consequences of deferral, and
- Contextualising the TRR within the broader Victorian Transmission Plan (VTP) and Integrated System Plan (ISP)

The TSAP influenced the way AusNet presented cost impacts and customer trade-offs in the draft proposal, and ultimately in the regulatory proposal.

However, while narrative framing was strengthened, there is limited evidence that the TSAP imposed a binding constraint on the overall revenue envelope or materially reduced the scale of the proposed step-up in capital expenditure. The primary drivers of increased capex—ageing assets, unit rate escalation and system complexity—were largely accepted as given, subject to AER review.

Deliverability and Risk

The TSAP engaged in detailed discussion on deliverability risks, including labour availability, supply chain constraints and uncertainty arising from the VTP and customer-initiated works.¹³ The TSAP supported further exploration of contingent projects and capex reprofiling as mechanisms to manage these risks.

The TSAP also acknowledged that economic timing and delivery timing may not always align, and that uncertainty in labour supply should be explicitly recognised in the Proposal.

While this represents meaningful engagement on risk allocation, the underlying uncertainty in deliverability remains significant and is ultimately subject to regulatory scrutiny and implementation over the regulatory period.

Overall Assessment

The TSAP process was:

- Well-structured and clearly scoped;
- Transparent in its consideration of major cost drivers;
- Substantive in its discussion of technical, economic and governance matters; and
- Influential in shaping project prioritisation and contingent project governance.

From a consumer perspective, the TSAP strengthened accountability, sequencing discipline and transparency. However, it functioned primarily as an informed advisory and refinement mechanism rather than a major influence on the overall capital program.

¹³ AusNet Services, *TRR 2027–32 TSAP Meeting #7 – Deliverability, Risk & Digital Summary*, 1 September 2025, pp. 2, 6–9 (deliverability analysis, labour constraints and contingent project discussion).

The TSAP improved the quality and clarity of the proposal and provided structured challenge to AusNet. Final determinations regarding prudence, efficiency and revenue allowances appropriately remain within the remit of the AER.

3.4.2. Deep Dives

The deep dives were clearly designed to deliver the “depth” component of AusNet’s engagement framework by focusing on complex, material issues such as new transmission connections, resilience investment, landholder engagement and the interaction between the TRR and the Victorian Transmission Plan (VTP).

The sessions were structured around clear questions to participants — for example, what level of resilience investment was appropriate, what bundle of landholder services would be acceptable at a given cost, and whether AusNet’s interpretation of the VTP/TRR overlap was reasonable. From a design perspective, this aligns with the stated objective of facilitating challenging conversations and exploring cost–service trade-offs. The inclusion of regulators and CCP observers further strengthened transparency.

However, from a consumer perspective, the extent to which the deep dives materially influenced outcomes is less clear. In several sessions, stakeholders were asked to comment on options that had already been substantially developed by AusNet. For example, in the resilience deep dive, attendees were presented with defined tower-strengthening options and ultimately indicated they were “comfortable” with the proposed approach. While this suggests acceptance, the documentation does not clearly demonstrate that alternative lower-cost options were materially reshaped or that consumer representatives materially altered the proposed scale of investment.

Similarly, in the VTP/TRR session, while members were “generally satisfied” with AusNet’s interpretation and further refinement was noted, the session appears to have been more explanatory and consultative than decision-influencing.

The New Connections and Landholder deep dives show stronger evidence of iterative feedback. In the first New Connections workshop, 22 opportunities for improvement were identified, and the second session was explicitly structured as a response to those items. This demonstrates a clear feedback loop. Likewise, in the Landholder session, participants supported specific service improvements and influenced refinements to the proposed package, with explicit discussion of cost impacts and proportionality. Even so, much of this engagement focused on service quality and process improvement rather than core revenue quantum or major capex decisions.

Overall, the deep dives appear to have met the procedural objectives of the engagement plan — namely providing detailed information, enabling technical discussion, and offering structured opportunities for feedback.

The deep dives were well attended and substantively documented. From a consumer advocacy standpoint, however, the evidence of direct influence on major expenditure levels is more limited.

The sessions appear strongest where they addressed service design and process improvements, and less demonstrably influential where they addressed high-value capital investment decisions.

3.4.3. Other engagement mechanisms

Engagement with Major Customers

There is evidence in TSAP discussions that large directly connected customers were considered a distinct cohort requiring tailored engagement. Panel members recommended that AusNet

provide clearer information on total transmission cost impacts and engage directly with major customers given their exposure to transmission charges

In several discussions¹⁴ (particularly capex and major stations), cost impacts on large customers were explicitly acknowledged, and there were suggestions to provide clearer articulation of total system cost impacts.

However, while the Engagement Plan commits to engaging directly connected customers, we are not aware of separate major customer workshops or documented outcomes from those engagements.

Surveys and Research Programs

The Engagement Plan indicates that AusNet would leverage existing research and survey mechanisms, including integration with distribution network engagement and broader research programs. However, we are not aware of any specific research initiated by AusNet or the TSAP related to the engagement process.

Field Visits and On-Site Engagement

As part of TSAP Meeting #2 (2 December 2024), TSAP members, a CCP observer and AusNet staff undertook a site tour of South Morang Terminal Station.¹⁵ The purpose of the visit was to provide members with a practical understanding of how the transmission network operates day-to-day, and the condition and complexity of the infrastructure that would be subject to major replacement decisions under the 2027–32 TRR.

AusNet staff conducted a safety briefing and facilitated the on-site inspection of the station.

Whilst there is no evidence to attribute specific expenditure adjustments directly to the visit, South Morang is one of the major 500 kV terminal stations included in the replacement program. The site visit therefore appears to have supported the TSAP's ability to scrutinise and assess the justification for major station capex, rather than serving as a standalone engagement activity influencing scope.

AusNet also invites TSAP members to tour the AusNet transmission control centre. This tour, whilst highly technical, reinforced the complexity of operating the Victorian transmission grid. The tour highlighted a number of important issues, including:

- a) The shift in overall state-wide power flows from coal-based generation in the south-east to renewable generation in the west of the state
- b) The arrival of other licenced transmission system operators in the state who have constructed, own and operate high-voltage connection assets for new renewable generation assets. These arrangements add complexity to outage and fault restoration co-ordination through interaction with AusNet, AEMO and now other utility controllers and field operators.
- c) The reliance on modern network modelling and operation ICT systems, as well as their reliance on high levels of cybersecurity .

¹⁴ AusNet Services, *TSAP Meeting #7 Summary*, 1 September 2025, pp. 2–3 (TSAP discussion regarding visibility of total transmission costs and customer impacts)

¹⁵ AusNet Services, *TRR 2027–32 Transmission Stakeholder Advisory Panel (TSAP) – Summary Notes for Meeting #2*, 2 December 2024, pp. 1–2 (Site tour of South Morang Terminal Station).

3.5. The Draft Proposal

AusNet published its draft Transmission Revenue Reset proposal¹⁶ in mid-2025 for public engagement and feedback as part of its TRR 2027-32 process. The draft proposal was made available for public consultation from 31 July 2025 to 30 August 2025 via AusNet’s Community Hub engagement page.¹⁷ This consultation period included multiple communication channels such as social media posts, a live webinar, written materials, and invitations to meet with stakeholders.

AusNet also hosted a dedicated webinar with a Q&A session (held on 15 August 2025) to help stakeholders understand and comment on the content.

Changes considered after the draft proposal was issued are summarised in Table 1 below.

Item (real \$2026–27)	Draft proposal	Final proposal	Change	Engagement influence
Total capex (2027–32)	~\$2.44bn	\$2.40bn	↓ ~\$40m	TSAP scrutiny of overlap and deliverability
Contingent capex	Not specified	\$39m	+\$39m (reclassified)	TSAP recommendation to manage delivery risk
Capex removed due to overlap	Not quantified	\$19m	↓ \$19m	TSAP + VTP deep dive
Controllable opex (ex-ELT)	Higher than final	\$720m	↓ (net)	TSAP challenge on step changes
Opex step changes – network ops	Included	Removed	↓ (step change removed)	TSAP feedback
Opex step changes – insurance	Included	Removed	↓ (step change removed)	TSAP feedback
Opex step changes – landholder	Included (conceptual)	Included (targeted & costed)	Re-scoped	Landholder deep dive

¹⁶ **TRR 2027-2032 Draft Transmission Revenue Reset Proposal – Draft Proposal.**

This was made available on AusNet’s Community Hub for public feedback and consultation.

¹⁷ **TRR 2027-2032 Draft Proposal Webinar and Q&A Resources.**

AusNet hosted a webinar and published associated materials (presentation slides and Q&A) as part of the engagement on the draft proposal.

Item (real \$2026–27)	Draft proposal	Final proposal	Change	Engagement influence
Opex productivity offset	Not explicit	–\$3m	↑ efficiency	Engagement-informed discipline
Average real revenue uplift vs 2022-27	Similar	+25%	Largely unchanged	Drivers mostly uncontrollable

Table 2. Headline financial metrics – draft vs proposal

4. Where Engagement Influenced the Proposal

Engagement for the 2027–32 reset extended beyond information provision, although much of the material presented was necessarily technical in nature.

As discussed above, while early sessions were largely consistent with the “inform” level of the IAP2 spectrum, stakeholders progressively demonstrated the capacity to meaningfully consider key assumptions, test framing and apply their own sectoral expertise to the issues presented.

In several areas — particularly deliverability risk, operating expenditure step changes and pricing impacts — stakeholder feedback resulted in observable refinements to the proposal, approaching elements of “involve” and, in limited cases, “collaborate”.

By contrast, engagement had more limited influence on the overall scale of the capital program, reflecting the degree to which major cost drivers were considered externally imposed.

Table 3 below summarises where and how stakeholder input shaped the proposal.

Engagement theme	Stakeholder feedback	AusNet response	Reflected in proposal
Scale of capex	Concern about size and deliverability of capital program	Re-sequencing of projects; explicit deliverability assessment	Yes – revised phasing; contingent projects
Deliverability risk	Risk of consumers paying for undelivered works	Introduction of contingent projects and triggers	Yes – contingent project mechanism
Opex step changes	Scepticism about broad step changes	Removal / narrowing of some step changes	Yes – reduced opex proposal
Labour cost escalation	Acceptance of EBA impacts but concern about productivity	Productivity offsets retained	Yes – partial mitigation
Pricing impacts	Preference for stability and predictability	Alternative price smoothing proposed	Yes – smoothed price path
Incentive schemes	Opposition to retrospective CAM / CESS changes	Alternative approach proposed but contested	Partially – proposal submitted
Output measures	Recognition of increased system complexity	Alternative output measures proposed	Yes – subject to AER assessment

Table 3. Mapping of engagement feedback to proposal outcomes - Capital expenditure prioritisation and timing (CCP analysis)

Stakeholder feedback also influenced the need for sequencing of major capital projects, consideration of deferrals and staging to reduce price impacts, and the need for AusNet to provide greater emphasis on demonstrating deliverability.

4.1. Deliverability and risk management

The TSAP discussions indicate that deliverability risk was a substantive and recurring theme, rather than a peripheral issue. As shown in the *TSAP Actions Register* (Actions 28 and 35),¹⁸ AusNet committed to bring forward its deliverability and cost escalation analysis and to highlight this explicitly in the draft proposal.

The September 2025 TSAP meeting¹⁹ was largely dedicated to “Deliverability, risk allocation & digital, where AusNet presented labour modelling, supply-chain constraints (notably transformers and reactors), outage limitations and planning approval risks. Stakeholders queried labour availability under the VTP, and the concentration of major station works.

Panel feedback focused on realistic phasing, contingency treatment, and clearer articulation of risk transfer to customers. There is evidence AusNet responded: the forecast was reduced from the draft proposal, major station timing was adjusted, deliverability analysis was embedded in the proposal, and commercial model reforms with Construction Delivery Partners were explored. Overall, the record suggests stakeholder scrutiny materially influenced both presentation and elements of program phasing.

Transparency on project delivery – regular reviews

As reflected in the TSAP’s September 2025 meeting on deliverability, risk allocation and digital expenditure, members placed considerable emphasis on the importance of disciplined execution and ongoing oversight of the capital program.

In that session, the TSAP supported further investigation of contingent project mechanisms, refinement of trigger conditions, and potential re-profiling of the capital program to manage deliverability risk. Members also sought greater transparency around prioritisation criteria, including explicit consideration of customer impact, safety risk and social licence.

The discussion made clear that while the TSAP was broadly supportive of the need for the proposed investments, that support was contingent on continued validation of assumptions and clear reporting as delivery progressed. This reflects a recognition that the scale of the proposed uplift in capital expenditure warrants structured monitoring and vigilance throughout the regulatory period.²⁰

¹⁸ Transmission Stakeholder Advisory Panel (TSAP) Actions Register, July 2025, Actions 28 and 35 (Deliverability and cost escalation analysis commitments)

¹⁹ AusNet Transmission Stakeholder Advisory Panel (TSAP) Meeting 6 – Deliverability Risk & Digital, Complete Pack, 1 September 2025 (discussion of labour modelling, supply chain constraints, major station works and risk allocation)

²⁰ Transmission Stakeholder Advisory Panel, *TRR 2027–32 Summary Notes | Deliverability, Risk & Digital*, Meeting #7, 1 September 2025 (PUBLIC), particularly agenda items relating to deliverability assessment, risk allocation options and contingent project triggers

4.2. Operating expenditure step changes

AusNet presented its operating expenditure forecast using the AER's base–step–trend framework at TSAP Meeting #4,²¹ including explicit discussion of the base year selection and proposed step changes. The session covered the mechanics of the base year, historical performance and the justification for new step changes, with action items to provide comparisons to prior TRR step changes and actual expenditure.

Specific proposed step changes were outlined in detail, including the VicGrid-related Network Operations placeholder and the Digital Capability & Cyber Security uplift. Stakeholders were invited to test the need, customer value and scope of these uplifts, indicating scrutiny beyond simple information provision.

In September 2025, the pre-lodgement wrap-up meeting²² explicitly revisited opex drivers and base year impacts, responding to TSAP requests for clearer explanation of the 2025–26 base year and cost drivers. The “Influence on the Proposal” slide confirms that the TSAP supported the use of RY26 as the opex base year, the application of the AER's standard productivity factor, and the digital capability uplift.

The stakeholder engagement on opex clearly influenced:

- (i) AusNet to provide transparent presentation of the base–step–trend method;
- (ii) Stakeholder examination of step changes and base year selection; and
- (iii) Observable refinement and documentation of these elements in the final proposal.

4.3. Pricing and smoothing

The TSAP was explicitly engaged on pricing impacts and revenue trajectory, particularly at Meeting 6 (Energy affordability & pricing) and again in the Pre-lodgement wrap-up (Meeting 8).

At Meeting 8, AusNet presented:

- Building block revenue outcomes including smoothed revenue rising to ~\$1.1bn by RY32 (nominal);
- A decomposition of revenue drivers, showing that WACC and capex were the dominant contributors; and
- Residential and small business bill impacts including the ~\$61 p.a. residential impact attributable to the TRR.

Commendably, AusNet also presented the broader context of total Victorian transmission cost growth, including VTP and ISP projects.

Following discussion in the TSAP, the proposal narrative was refined to:

²¹ AusNet Transmission Stakeholder Advisory Panel (TSAP) Meeting 4 – Deliverability, Opex and TSAP Check-In Pack, 8 April 2025, Agenda Item 4 “Process for determining opex | The base, step and trend approach” (pp. 5–6).

²² AusNet Transmission Stakeholder Advisory Panel (TSAP) Meeting 8 – Pre-lodgement Process Wrap-up, 18 September 2025, “Influence on the Proposal” slide, including reference to use of RY26 as opex base year and digital capability uplift (p. 43)

- Clearly disaggregate drivers of price increases;
- Attribute impacts to controllable vs non-controllable elements (ELT, WACC, ISP/VTP);
- Demonstrate a 9% reduction from the draft capex forecast (p. 52), explicitly linked to stakeholder and deliverability feedback; and
- Remove opex step changes (network operations and insurance) partly on affordability grounds.

While stakeholders did not materially alter the overall price trajectory (largely driven by capital and WACC), they influenced how impacts were framed, attributed, moderated and communicated. The engagement on pricing therefore moved beyond “inform” to a more consultative role in shaping narrative transparency and cost discipline, even if the underlying revenue requirement remained largely structural.

4.4. Incentive schemes and contingent projects

TSAP Meeting 8 – Pre-lodgement process wrap-up - revisited incentive mechanisms and related governance controls which were explicitly discussed with the TSAP, including the Capital Expenditure Sharing Scheme (CESS) and the design of contingent project triggers

The TSAP raised concerns that customers should not “pay too early or too much” under CESS and that contingent project triggers must clearly align Board decision-making with customer interests. In response, AusNet proposed formal trigger wording based on Board commitment, with additional safeguards including resource commitment from delivery partners and a requirement to reconvene the TSAP before lodging any contingent project application lodgement.

The TSAP Actions Register also records a request for AusNet to investigate a Customer Service Incentive Scheme (CSIS), indicating stakeholder interest in strengthening output-linked accountability

Engagement themes mapped to proposal responses

Engagement theme	Key stakeholder issues raised	AusNet response / proposal impact	Evidence in proposal
Affordability and value	Concern about bill impacts; need to demonstrate value and avoid overbuild	Framing of proposal around “lowest cost for best value”, prioritisation and contingent projects	TRR narrative; bill impact analysis
Opex efficiency and transparency	Scrutiny of base year, step changes, uncontrollable costs	Use of RY2026 base, standard productivity trend, explicit treatment of uncontrollable costs (e.g. easement land tax)	Opex model; RINs
Deliverability	Workforce, outage, and supply chain constraints	Deliverability assessment; staged delivery; reprofiling and contingent projects	Capex portfolio; TSAP feedback
Connections process	Delays, cost uncertainty, poor visibility	Additional resourcing; improved cost breakdowns; clearer process information; advocacy to VicGrid	Connections deep dives
Landholder impacts	Access, biosecurity, communications	Targeted uplift in landholder engagement and service standards	Landholder deep dive
Resilience	Increasing extreme weather and system risk	Tower strengthening, transformer resilience, digital investments	Resilience deep dive
Planning interface (VTP)	Role clarity, timing and coordination risks	Alignment of TRR with Draft VTP; flexibility to respond to VTP outcomes	VTP deep dive
Contingent Projects	The lack of visibility and stakeholder accountability in the preparation, design and activation of contingent projects	AusNet agreed to consider the recalling of the TSAP or other customer-focussed group as engagement for any contingent project that may arise.	TSAP Meeting 8

Table 4: Engagement themes mapped to the relevant section of AusNet's proposal

5. Response to the AER Issues Paper

1. Do you have any concerns about AusNet's proposal and its relationship with VicGrid's augmentation plans to develop the network outlined in the VTP?

The establishment of VicGrid materially changes the transmission planning framework in Victoria. Strategic augmentation planning, early development and project initiation now sit with VicGrid, rather than with AusNet as the incumbent TNSP. AusNet's role is therefore more limited to delivery of defined works, rather than determining the need, scope and timing of major augmentations.

This change is evident in projects such as VNI West, where VicGrid is responsible for planning and oversight, and AusNet is not the designated developer. This confirms that some material augmentation works supporting the energy transition are progressing outside AusNet's direct control.

In assessing AusNet's forecast augmentation capex, the AER should therefore consider whether and the extent to which:

- The proposal appropriately reflects AusNet's residual role under the new Victorian transmission framework;
- There is clear delineation between AusNet-led works and projects initiated and directed by VicGrid; and
- Any forecast expenditure risks duplication, overlap or recovery of costs that are not required for AusNet to meet its service obligations.

Clarity of role boundaries is particularly important given parallel processes (TRR, Victorian Transmission Plan and ISP) and increasing competition for resources.

The TSAP engagement

The Transmission Stakeholder Advisory Panel (TSAP) has considered matters closely related to the interaction between AusNet's Transmission Revenue Reset (TRR) and broader transmission planning (including VicGrid's emerging role), and this engagement has had defined outcomes that are relevant to the AER's Issues Paper.

We observed that TSAP has engaged in detailed discussions on how AusNet's TRR interacts with broader transmission planning, including VicGrid's planning outputs:

- Meetings included deep-dive sessions on topics such as connections, expenditure forecasting and planning interactions.
- AusNet presented to their TSAP on issues relating to how augmentation programs outside AusNet's control (including those planned by VicGrid) could affect AusNet's TRR forecasts and investment assumptions, and clarifications were sought by the TSAP on these topics.

The TSAP's engagement extended beyond bilateral discussions with AusNet and included direct interaction with jurisdictional and market bodies. In particular, the TSAP participated in the Resilience Deep Dive on 20 May 2025,²³ which included representatives from AEMO and

²³ AusNet Services, *TSAP Meeting #4 – Deliverability, Opex and TSAP Check-In Pack* (8 April 2025), slide 67

VicGrid, enabling discussion of system resilience, planning coordination and network investment alignment in a broader system context.

The Revenue Proposal also confirms that this session included VicGrid and the Department of Energy, Environment and Climate Action (DEECA), and that the TSAP sought clarity on overlaps between TRR projects and the Victorian Transmission Plan.²⁴ Further, AusNet has documented that it worked closely with VicGrid to identify and remove approximately \$19 million of overlapping works from the proposal, reflecting the TSAP's request that customers only pay once for necessary network investments.

The TSAP's involvement notes the following priorities:

a) Coordination and alignment

- The TSAP highlighted the importance of close alignment between AusNet, VicGrid, AEMO and the AER to avoid duplication of transmission investment, resource competition, and inconsistent engagement arising from parallel processes (TRR, VTP and Integrated System Plan).

b) Transparency and clarity

- The TSAP supported AusNet's engagement as transparent and constructive. Members acknowledged that AusNet responded openly to challenges and provided meaningful information.

c) Role of external planning bodies

- TSAP members recognised that AusNet does not control or initiate augmentation planning; that function has transitioned from AEMO to VicGrid, and this should be clearly reflected in the TRR assumptions and planning context.

d) Recommendations

- The TSAP emphasised continued inter-agency collaboration with VicGrid and AEMO to ensure planning and resource alignment. It recommended structured reporting mechanisms and coordination to maintain clarity throughout the regulatory period.

The outcomes of TSAP engagement offer the AER evidence that:

- 1) Stakeholders with diverse perspectives have been exposed to and have engaged critically with the interaction between AusNet's TRR and broader state planning (including VicGrid's role).
- 2) There is general support for transparent reconciliation between AusNet's planned programs and the Victorian Transmission Plan.
- 3) Coordination and clear delineation of roles between AusNet and VicGrid were identified as priorities by informed stakeholders.

CCP Observation

AusNet went to some length to explain and illustrate the emerging interaction between VicGrid and AusNet to their TSAP, including a discussion session with VicGrid executives. The focus on the introduction of VicGrid is a little curious, given that much of the planning of the interconnected system lay with AEMO previously. We are satisfied that the matter has been fairly

²⁴ AusNet Services, *Transmission Revenue Reset 2027–32 – Revenue Proposal* (7 November 2025), p 50.

communicated to their TSAP, and we recognise that despite the significant transformation of the transmission network as renewable generation progresses, it may not feature as a major issue in AusNet's proposal.

2) What are your views regarding AusNet's justification for its proposed increase in replacement expenditure?

and

3) Does AusNet's proposal demonstrate that the investments in the network would result in the lowest cost to consumers over the long term?

AusNet proposes a material increase in asset replacement and refurbishment capital expenditure over the 2027-32 regulatory control period. While some increase may be expected given the age profile of elements of the transmission network, the proposed step-change exceeds historical trends and requires robust justification. In the context of AusNet's role as an operator of existing assets, replacement expenditure should be supported by clear condition-based evidence and demonstrated rejection of lower-cost refurbishment options.

Otherwise, there is a risk that consumers may be exposed to premature or inefficient asset replacement costs.

AusNet's network includes long-lived assets commissioned several decades ago, including major elements of the 220 kV and 500 kV system. Replacement and refurbishment of ageing assets can be prudent and efficient in cases supported by demonstrated asset condition risk and least-cost analysis. However, historical trends indicate that AusNet has previously managed asset health through targeted refurbishment and maintenance without incurring step-changes of the scale now proposed.

In assessing the prudence and efficiency of the proposed replacement and refurbishment capex, the AER should examine whether the forecast increase reflects a material deterioration in asset condition or an efficient response to safety and reliability risks, rather than a bringing-forward of expenditure or a change in investment strategy.

The establishment of VicGrid is relevant to this assessment. With strategic planning and major system development functions now undertaken externally, AusNet's role is increasingly focused on operating and maintaining its existing asset base. This places greater weight on ensuring that replacement and refurbishment expenditure is tightly scoped to sustaining current network capability and is not influenced by broader system development considerations.

TSAP views on asset replacement and refurbishment expenditure

The Transmission Stakeholder Advisory Panel considered AusNet's asset replacement and refurbishment program as part of its broader review of the 2027-32 Transmission Revenue Reset (TRR). The TSAP's role was advisory rather than determinative, focusing on whether AusNet's proposed approach was reasonable, transparent and supported by evidence, rather than endorsing specific expenditure amounts.

The TSAP's consideration of replacement expenditure was therefore primarily qualitative and process focused.

Key themes emerging from the engagement

1. Acknowledgement of ageing assets, but scrutiny of scale and timing

The TSAP generally accepted that parts of AusNet Services' transmission network are ageing and that replacement and refurbishment expenditure will be required to maintain safety and

reliability outcomes. In particular, TSAP members recognised that some elements of the high-voltage network have long service lives and face increasing condition risk over time.

However, the TSAP also noted that the scale and timing of the proposed uplift in replacement expenditure represented a departure from historical trends. Panel members queried whether the proposed step-change reflected:

- Genuine deterioration in asset condition, or
- Change in AusNet's replacement strategy, including the bringing-forward of expenditure.

The TSAP therefore emphasised the importance of clearly demonstrating why the proposed replacement profile was required in the 2027-32 period, rather than later.

2. Importance of condition-based evidence and asset risk transparency

A consistent theme in TSAP feedback was the need for clear, objective condition and risk evidence to support increased replacement expenditure. Panel members sought greater transparency on:

- The condition metrics used to trigger replacement decisions;
- How asset risk is prioritised across different asset classes; and
- How these risks translate into specific replacement programs and timing.

The TSAP indicated that high-level statements about asset ageing were not, on their own, sufficient to justify material increases in replacement capex without supporting data and explanation.

3. Refurbishment versus replacement options

The TSAP placed emphasis on whether AusNet had adequately considered lower-cost refurbishment or life-extension options before committing to full asset replacement. Panel members queried:

- How refurbishment options were assessed and ruled out;
- Whether replacement decisions reflected least-cost outcomes over the asset lifecycle; and
- Whether replacement programs could be staged or deferred without materially increasing risk.

While the TSAP did not conclude that AusNet's approach was inefficient, it highlighted this as a key area requiring robust justification.

4. Interaction with VicGrid and changed planning roles

The TSAP explicitly recognised the establishment of VicGrid and the transfer of strategic planning and early development functions away from AusNet. In this context, panel members noted that AusNet's capital program is increasingly focused on maintaining and renewing existing assets, rather than developing new system augmentations.

The TSAP therefore emphasised the need for clear separation between:

- Replacement and refurbishment required to sustain the existing network; and
- Expenditure that may be influenced by future system development or reconfiguration planned by VicGrid.

This separation was seen as important for transparency and for avoiding consumer exposure to premature or anticipatory investment.

In summary, the TSAP:

- Did not formally endorse the quantum of AusNet's proposed replacement and refurbishment expenditure;
- Accepted in principle that ageing assets justify ongoing replacement investment; but
- Highlighted the need for stronger justification, particularly around timing, condition evidence, and the exhaustion of refurbishment options.

The TSAP's feedback can therefore be characterised as **cautiously constructive**: supportive of the need for asset renewal but signalling to both AusNet and the AER that the proposed step-change requires careful testing.

CCP Observation

From a regulatory perspective, TSAP engagement provides evidence that:

- informed stakeholders have questioned whether the proposed replacement uplift is fully supported by condition-based evidence;
- there is stakeholder expectation that refurbishment and life-extension options be demonstrably prioritised; and
- AusNet's changed role under the VicGrid-led planning framework heightens the need for disciplined, narrowly scoped replacement programs.

These views reinforce the appropriateness of targeted AER scrutiny of replacement and refurbishment expenditure under Questions 2 and 3 of the Issues Paper.

4) In your view, has AusNet considered all avenues to ensure its capital program is prudent and deliverable?

On the evidence available, AusNet has taken a number of structured steps to demonstrate prudence and deliverability, but the ultimate test will remain with the AER.

In favour of prudence and deliverability:

- The capital forecast was reduced from the draft proposal following deliverability analysis and stakeholder challenge.
- A formal deliverability assessment was undertaken, including labour modelling, supply chain constraints and integration with VTP projects.
- Projects were reclassified into prioritised, contingent and deferred categories, with TSAP input influencing that sorting.
- Governance around contingent projects was strengthened through Board-level triggers and stakeholder "hurdle" requirements.
- Major project business cases and option assessments were interrogated in detail by the TSAP.

These actions suggest AusNet has not treated deliverability as a secondary consideration and has been responsive to scrutiny.

However, residual risks remain:

- The RP4 profile is front-loaded, increasing early-period execution pressure.
- Deliverability is partly contingent on broader system factors (VTP, workforce availability, supplier markets).
- Incentive scheme interactions (e.g. CESS) will only be observable ex post.

CCP Observation

AusNet appears to have actively tested prudence and deliverability through internal analysis and stakeholder engagement and has made observable refinements in response. Whether this is sufficient is ultimately a regulatory judgement, but there is evidence that reasonable avenues have been explored and that stakeholder scrutiny has influenced the program's structure and governance.

5) Do you consider AusNet's opex forecast for the 2027–32 regulatory control period reasonably reflects the efficient costs of a prudent operator? Why

On balance, AusNet's proposed opex forecast for 2027–32 appears broadly consistent with the efficient costs of a prudent transmission operator, subject to regulatory scrutiny of specific step changes.

Several factors support this conclusion:

- The forecast adopts the AER's base–step–trend methodology, using 2025–26 as the base year and applying discrete, identified step changes rather than embedding uplift in trend.
- The 19% increase in controllable opex (excluding ELT) is moderate relative to the scale of the capital program and reflects identifiable drivers (digital capability, cyber security, landholder engagement).
- Certain proposed step changes (network operations and insurance) were removed following stakeholder scrutiny, suggesting discipline rather than systematic uplift.
- A \$3 million productivity improvement has been applied across the period.
- Benchmarking evidence was provided to support the efficiency of the base year.

However, the digital capability and cyber-related step changes warrant careful assessment to ensure they are not partially capital-avoidant substitutes or double-counted through capex programs.

In summary, the forecast reflects a structured and transparent approach consistent with prudent operator behaviour, with observable responsiveness to stakeholder challenge. Final judgement on efficiency will depend on the AER's benchmarking and step-change assessment.

6) Do you have any feedback on the new nominated cost pass through event or the Dederang Terminal Station contingent project?

The Dederang Terminal Station (DDTS) H3 Transformer and associated 330 kV circuit breaker replacement proposal is presented as a condition-based, risk-driven investment within the TRR 2027–32 period. The Planning Report²⁵ confirms that the H3 transformer, commissioned in 1978, has internal windings beyond repair and that replacement is considered more practical and cost-effective than refurbishment, particularly given fault level and thermal constraints. The two associated 330 kV circuit breakers have exceeded technical design life and exhibit age-related defects with no manufacturer support, and refurbishment is not considered feasible.

Failure rate projections show H3 deterioration increasing through the forecast period, and the identified need is framed around mitigating increased likelihood of prolonged outages, safety risk, environmental exposure and reactive replacement costs⁴.

²⁵ AusNet Services, *Transmission Revenue Reset 2027–2032 (TRR 2027–32): Planning Report – Dederang Transformer and Circuit Breaker Replacement* (October 2025).

In the context of broader transformer fleet strategy, the November 2025 *Power Transformers and Oil Filled Reactors Asset Management Strategy*²⁶ confirms a risk-based replacement approach for high-risk shared transformers during TRR 27–32, supported by economic modelling and engineering validation. The DDTS H3 replacement is consistent with this strategy. The strategy also emphasises structured spares management and component replacement programs to mitigate catastrophic failure risk, reinforcing the rationale for retaining the removed unit as a spare rather than procuring an additional unit under Option 2.

However, the project modelling report²⁷ reviewed contains limited evidence of explicit community or stakeholder engagement specific to this project, and limited detail regarding procurement risk, outage staging, and commissioning constraints beyond the stated four-year delivery lead time and proposed commencement in 2028-29.

Given the increasing emphasis on consumer-centric presentation of capital proposals, the project proposal would be more robust by outlining procurement lead times, outage coordination and contingency management to demonstrate deliverability confidence.

In relation to potential classification as a cost pass-through event, the Planning Report presents this as a condition-driven, economically timed investment with commissioning targeted within the TRR 2027–32 period. On this basis, the investment appears foreseeable and consistent with the planned replacement program described in the transformer asset strategy, and therefore more appropriately treated as base capital expenditure unless a specific nominated pass-through trigger can be clearly justified.

Subject to the enhancements outlined above, the CCP supports the DDTS H3 Transformer and Circuit Breaker Replacement proposal in principle as a prudent and deliverable risk-mitigation investment.

- 7) **Do you consider AusNet’s revenue proposal reflects the outcomes consumers want at a reasonable cost? Why?**
- 8) **Are you satisfied with the way AusNet has engaged on the key areas of its revenue proposal, including its capital expenditure program? If not, why?**

These matters are discussed at length in the body of this Advice.

- 9) **Are there any particular areas of AusNet’s capex proposal that you would expect further engagement on?**

Yes. From a regulatory assessment perspective, the following areas warrant deeper scrutiny and potentially enhanced engagement:

(a) Major station projects and wholesale asset replacement programs

These projects represent a significant proportion of forecast capex and are predominantly condition driven. They rely on probabilistic risk modelling (failure rates and consequence valuation) to demonstrate net economic benefit. Given their scale and long asset lives, further engagement should focus on:

- Transparency of baseline risk calculations and key modelling inputs (e.g., VCR assumptions, outage duration profiles, restoration time assumptions).

²⁶ AusNet Services, *TRR 2027–32 Technical AMS 10-67 – Power Transformers and Oil Filled Reactors* (10 November 2025)

²⁷ AusNet Services, *Project Network Modelling Report – DDTS H3 Transformer and Circuit Breaker Replacement* (31 October 2025)

- Clear articulation of refurbishment vs replacement screening.
- Demonstration of how delivery staging and outage coordination minimise total lifecycle cost.

(b) Risk-monetisation methodologies

Where safety, environmental and market risks are monetised, further engagement should test:

- Consistency with AER practice notes.
- Sensitivity of results to parameter selection.
- Treatment of disproportion factors in safety valuation.

(c) Strategic spares policy

Spare holding levels materially affect both resilience and capital timing. Review should assess:

- Economic optimisation of spare inventory.
- Alignment with credible contingency risk.
- Evidence that spares policy is neither over- nor under-conservative.

(d) Data quality and condition scoring

In some asset classes (particularly infrastructure), the strategy acknowledges limitations in asset records. Engagement should test:

- Condition assessment methodologies.
- Calibration of failure rates to empirical performance data.
- Governance around asset health modelling inputs.

10) How do you consider that this proposal reflects stakeholder preferences?

This matter is discussed in the body of this Advice.

11) Do you consider that the areas we have identified for greater assessment focus (major station projects and other replacement expenditure) are appropriate, and, if not, what other areas should be considered and why?

Most major issues are discussed in the body of this advice. However, there are three areas that would benefit from greater scrutiny by the AER.

(a) Strategic spare policy and fleet standardisation

Spare strategy materially influences capital timing and resilience. The review should test optimal spare holding levels and the economic trade-offs between redundancy and risk.

(b) Programs justified by safety and environmental risk monetisation

Where safety valuations or disproportion factors materially influence outcomes, methodological consistency should be scrutinised.

(c) Asset data quality and condition scoring methodology

Given acknowledged record gaps in some infrastructure classes, assurance over condition scoring inputs and model calibration would strengthen prudency assessment.

12) Do you have any views on the prudency (need) and efficiency (cost) of any aspects of the proposed capex?

This matter is discussed in the body of this Advice.

- 13) Do you consider AusNet’s opex forecast for the 2027–32 regulatory control period reasonably reflects the efficient costs of a prudent operator? Specifically, do you consider AusNet’s proposed step changes are required to produce an opex forecast that reasonably reflects the efficient costs of a prudent operator?
- 14) What are your views regarding our prioritised review of the base year opex, step changes, the category specific forecasts for AEMO participant fees and the Growth Assets Roll?
- 15) Do you consider that AusNet’s opex proposal, particularly the costs and benefits of the step changes, were sufficiently consulted on during the stakeholder engagement processes? Has AusNet adequately addressed the themes and issues raised by stakeholders?

These matters are discussed in the body of this Advice.

16) What, if any, are your concerns with the application of the CESS for AusNet in the 2027– 32 regulatory control period?

CCP advice to the AER has been consistent over time- that is, to focus on practical and incentive-alignment rather than “whether CESS should exist” (the AER has recently reviewed and updated incentive scheme guidance).

The primary concern relates to the interaction between the CESS and the emerging deliverability constraint identified by AusNet.

The April 2025 TSAP pack²⁸ indicates that forecast “capex needed” for 2028–32 has increased materially (to \$2.5–2.8 billion), and that this exceeds what may be realistically deliverable within the period due to resource, outage and supply chain constraints. The materials explicitly note that for the first time “what we need” may exceed “what we can deliver”.

In this context, application of the CESS warrants careful consideration for three reasons:

(a) Deferral versus efficiency

If capex underspends arise from delivery constraints (e.g. outage windows, contractor scarcity, transformer lead times) rather than managerial efficiency, the CESS may reward timing effects rather than genuine productivity improvements. The TSAP materials acknowledge competition for resources across Victoria and nationally and identify deliverability as a binding constraint².

(b) Risk transfer to consumers

The April pack emphasises that delaying economically justified capex increases outage risk and associated customer costs. If CESS incentives create a marginal bias toward deferral, this could exacerbate reliability risk during a period of elevated asset replacement need.

(c) Capex–opex trade-offs

Where capex delivery is constrained, there may be increased reliance on short-term operational mitigations. The incentive framework (CESS and EBSS together) must remain neutral and not distort economically efficient substitution decisions.

Overall, while CESS remains appropriate in principle, the AER should ensure that the assessment of efficiency distinguishes between:

²⁸ AusNet Services, *TSAP Meeting #4 – Deliverability, Opex and TSAP Check-In Pack* (April 2025)

- Structural deliverability constraints; and
- Genuine cost efficiencies.

17) Do you consider AusNet’s proposed exclusions of opex categories from the EBSS for the 2027–32 regulatory period is reasonable? Please explain why.

In principle, EBSS exclusions can be reasonable when they improve the scheme’s ability to share efficiency gains/losses fairly—particularly where the AER does not forecast those opex categories using a single-year revealed cost approach, or where they are materially pass-through in nature.

a) Test the rationale against the AER’s EBSS design intent

Exclusions should be tightly justified as necessary to avoid distorting carryover calculations—otherwise they can dilute incentive power.

b) Materiality and controllability

If the category is largely outside management control, volatile, or mechanically linked to other regulatory allowances (e.g., some debt-related items in some contexts), exclusion may be appropriate. (Examples of exclusions proposed by other NSPs commonly include certain financing/debt raising costs or specific pass-through-like items.)

c) Avoid creating a “carve-out” problem

Too many exclusions can blunt incentives and reduce consumer benefits. The AER should look for a clear line: exclude only where required for methodological consistency and fairness

Based on the TSAP Meeting #4 material, AusNet proposes to exclude specific non-controllable or category-specific items from the base-step-trend forecast, consistent with prior AER decisions.²⁹

The exclusions outlined include easement land tax, debt raising costs, AEMO participant fees, growth assets opex and certain provisions and accounting movements.

The rationale provided is that these costs are either:

- Externally determined and outside AusNet’s reasonable control (e.g. easement land tax, AEMO fees);
- Mechanically linked to RAB roll-in processes (e.g. growth assets); or
- Financial in nature rather than operational efficiency drivers (e.g. debt raising costs).

This approach appears consistent with incentive design principles, as:

- Incentives should only apply to costs management can reasonably influence.
- Including pass-through or externally indexed items could dilute the power of EBSS and distort outcomes.

Easement land tax, for example, is explicitly described as a pass-through mechanism directed by the AER.

However, the AER should test that:

²⁹ AusNet Services, *TSAP Meeting #4 – Deliverability, Opex and TSAP Check-In Pack* (April 2025), slides 22 and 39

- Exclusions are tightly defined and not expanded beyond established precedent.
- Controllable categories (e.g. corporate overheads and operational expenditure) remain within the EBSS framework.
- The chosen base year (proposed RY25–26) is efficient and not temporarily inflated by transition-related cost pressures.

Subject to those tests, the exclusions appear reasonable and aligned with scheme intent.

18) Do you consider that the application of the DMIAM continues to deliver long term benefits to consumers? If not, why not?

Yes, if it is applied with discipline. The AER’s stated objective for the transmission DMIAM is to fund R&D / innovation in demand management that has the potential to reduce long-term network costs - i.e., consumers fund small allowances now in expectation of longer-term benefits.

The key “watch points” on whether it is *continuing* to deliver value:

1. Additionality and learnings

Projects should be genuinely incremental (not BAU rebadged) and should generate transferable knowledge (replicability, publishable learnings), consistent with the mechanism’s intent.

2. Clear benefit pathways

Because not every innovation project will succeed, the test is whether the portfolio is well governed: robust selection criteria, benefits realisation plans, and transparent reporting on outcomes and lessons.

3. Materiality relative to network drivers

Where the dominant drivers of capex are station rebuilds/replacement and system security, DMIAM should be assessed for whether its outputs are actually being used to defer/avoid augmentation or reduce operating costs in a measurable way.

If those governance features are weak, DMIAM risks becoming a compliance exercise rather than a consumer value mechanism; if strong, it remains a sensible “option value” investment.

6. Concluding Observations

AusNet's 2027–32 Transmission Revenue Reset proposal is presented within a materially evolving transmission environment. Strategic augmentation planning has shifted from AEMO to VicGrid, while AusNet's core role is increasingly centred on asset replacement, resilience and maintaining system capability of the existing interconnected system and connection assets during the energy transition. The proposal reflects significant cost pressures, most notably easement land tax and higher financing costs, alongside a step-up in replacement expenditure associated with ageing primary plant and an increasing focus on resilience to severe weather-related risks.

Stakeholder engagement through the TSAP has been extensive and progressively more substantive over time. In the early stages, the TSAP appeared reluctant to engage deeply, reflecting the highly technical nature of AusNet's presentations and the complexity of risk-based modelling. Over the course of the engagement, however, the TSAP moved to a position where it accepted that the proposal would result in increased costs to consumers, and that these increases were largely structural rather than discretionary. While that acceptance may be described as measured rather than enthusiastic, it reflects a considered assessment following sustained scrutiny and clarification by AusNet.

The TSAP's position places implicit reliance on the AER to rigorously test the detailed modelling and assumptions underpinning the proposal. This reflects both confidence in the regulatory framework and recognition that consumer representatives cannot replicate the AER's forensic review capability. It also reflects a broader industry trend of rising transmission costs associated with asset ageing and system transition. This trend sits uneasily against prevailing cost-of-living pressures, reinforcing the importance of ensuring that only efficient and necessary expenditure proceeds.

It is also important to recognise the broader structural dynamics affecting transmission businesses across the National Electricity Market. Peak demand is increasing, while overall energy throughput has remained relatively stable or grown only modestly. This results in a declining load factor, meaning network costs are being recovered over a flatter energy base. Historically, customers have been accustomed to cost increases being partially offset by rising energy volumes; that relationship is weakening. At the same time, transmission businesses are increasingly being required to deliver system strength, stability and other essential system services as synchronous generation exits. These services add to network costs even where energy volumes do not materially increase.

We note positively that, during engagement, AusNet sought to present the total cost of transmission—including regulated revenues and the broader costs associated with ISP projects and Victorian transmission planning initiatives—so that stakeholders could understand the cumulative impact rather than viewing the TRR in isolation. This broader framing materially assisted informed consideration of the proposal.

On balance, we consider that the TSAP—representing a cross-section of informed stakeholders—has had a meaningful opportunity to interrogate the proposal, challenge its assumptions and observe AusNet's responses. The proposal appears structured and broadly consistent with prudent asset management practice. Nevertheless, the front-loaded capital profile, reliance on large replacement programs and deliverability constraints warrant careful scrutiny. The AER's assessment should focus on investment timing, modelling robustness, incentive interactions and clear delineation of responsibilities between AusNet and VicGrid to ensure consumers fund only efficient, necessary and deliverable investment.

Appendix 1: Transmission Stakeholder Advisory Panel (TSAP) meetings

1. TSAP Meeting 1 – 21 October 2024

Primary focus: Establishment of the TSAP and framing of engagement for the TRR 2027–32. The inaugural meeting focused on confirming the TSAP’s role, membership, and expectations for engagement across the transmission revenue reset. AusNet outlined the high-level context for the 2027–32 TRR, including ageing assets, emerging system complexity, and the energy transition. Panel members discussed priority issues for engagement, including reliability, affordability, transparency, and customer value. The TSAP emphasised the importance of early, genuine engagement and clear explanation of trade-offs between cost and service risk.

Key directions: Maintain transparency, focus on customer outcomes, and ensure the TSAP is engaged early on material decisions rather than retrospectively.

2. TSAP Meeting 2 – 2 December 2024

Primary focus: Early views on expenditure drivers and engagement priorities. This meeting deepened discussion on the drivers of future transmission costs, including asset replacement needs, resilience, and emerging demand patterns. AusNet outlined its early thinking on capex and opex pressures, while TSAP members tested assumptions around historical investment levels and efficiency. There was strong interest in understanding how customer value would be demonstrated and how affordability impacts would be communicated.

Key directions: Clearly articulate the problem being solved by expenditure, distinguish between controllable and uncontrollable costs, and link investment decisions explicitly to customer value and risk reduction.

3. TSAP Meeting 3 – 13 February 2025

Primary focus: Deliverability challenges and system constraints. AusNet introduced emerging concerns around the deliverability of large-scale transmission programs, particularly workforce availability, outages, and supply chains. Panel members welcomed early disclosure of these risks and explored how deliverability constraints should influence prioritisation and timing of projects.

Key directions: Deliverability should be treated as a core planning constraint; AusNet should be transparent where economically justified projects may be deferred due to practical limits, and continue engaging the TSAP on prioritisation frameworks.

4. TSAP Meeting 4 – 8 April 2025

Primary focus: Opex methodology, history, and base year selection. The TSAP reviewed AusNet’s proposed opex approach using the AER’s base-step-trend framework, including historical performance and forecast drivers. There was broad support for using RY2026 as the opex base year and applying the AER’s standard productivity trend. Panel

members discussed proposed opex step changes, including network operations, digital capability uplift, and landholder engagement.

Key directions: Support for base year and productivity assumptions, no opposition to proposed step changes, and continued transparency on uncontrollable costs such as easement land tax.

5. TSAP Meeting 5 – 5 June 2025

Primary focus: Capex program and Victorian Transmission Plan alignment.

This full-day session examined AusNet’s proposed capex portfolio, including major stations, asset replacement, digital investments, and physical security. The interaction between the TRR and VicGrid’s Victorian Transmission Plan was a key theme. Panel members generally supported the scale and direction of investment, while noting deliverability, bill impacts, and the need for clear prioritisation.

Key directions: Maintain strong alignment with the VTP, clearly communicate total customer impacts, and continue to justify capex through reliability, resilience, and risk mitigation lenses.

6. TSAP Meeting 6 – 10 July 2025

Primary focus: Affordability, narrative, and draft proposal positioning.

The discussion centred on how AusNet should frame its draft TRR proposal, particularly around affordability and value. TSAP members recommended focusing on “lowest cost for best value” rather than affordability alone and optimising the narrative for informed stakeholders who can act as conduits to broader consumers.

Key directions: Strengthen bill impact explanations, emphasise reliability and risk trade-offs, incorporate clearer narrative on why deferral increases long-term costs, and improve clarity of messaging.

7. TSAP Meeting 7 – 1 September 2025

Primary focus: Deliverability assessment, contingent projects, and risk allocation.

AusNet presented the results of its quantitative deliverability assessment. The TSAP broadly agreed the TRR program is deliverable on a standalone basis, while noting uncertainty from VTP and customer-initiated works. The TSAP supported exploring contingent projects and reprofiling capex to manage delivery risk.

Key directions: Investigate contingent projects with clear triggers and governance, expand prioritisation criteria to include customer impact and safety, and ensure customers only pay for projects that are delivered.

8. TSAP Meeting 8 – 19 September 2025

Primary focus: Pre-lodgement wrap-up and confirmation of positions.

The final pre-lodgement meeting confirmed that TSAP actions had been addressed and that the TSAP broadly understood and was comfortable with the Proposal. The TSAP supported the final project prioritisation and the inclusion of a contingent project, viewing this as aligned with customers’ interests. The future role of the TSAP post-lodgement was also discussed.

Key directions: Continue engagement through the AER review process, maintain accountability on contingent projects, and strengthen narrative on transition complexity and operational challenges.

Appendix 2: Engagement Deep Dive summaries

1. New Connections Deep Dive – Part 1 (11 November 2024)

Primary focus: Identifying pain points in the Victorian transmission connections process. This workshop brought together developers, regulators and system planners to assess how effectively AusNet’s regulated connections process supports new generation and storage. Discussion focused on network capacity visibility, transparency of charges, timeliness, coordination with AEMO, and customer service. Participants highlighted limited visibility of available capacity, late cost and timing certainty, and fragmented coordination between AusNet and AEMO.

Key directions: Improve transparency through better information, earlier engagement, clearer timelines, and exploration of centralised tools (e.g. portals, heat maps). AusNet committed to responding to identified opportunities in a follow-up session.

2. New Connections Deep Dive – Part 2 (25 March 2025)

Primary focus: AusNet’s response to issues raised in Part 1. This follow-up session presented AusNet’s proposed responses to 22 opportunities identified in the November 2024 workshop. AusNet clarified roles between itself, AEMO and VicGrid, outlined commitments to improve cost transparency, timelines, and customer communication, and described additional resourcing for regulated connections. Limitations on AusNet’s ability to address planning-related issues were acknowledged.

Key directions: Strong support for clearer process information, improved cost breakdowns, earlier engagement, and standardised documentation. AusNet committed to ongoing updates and integration of improvements through the TRR 2027–32.

3. Landholder Engagement Deep Dive (1 May 2025)

Primary focus: Improving service levels for landholders hosting existing transmission assets. This deep dive examined how AusNet’s operations affect landholders and explored service-level improvements for inclusion in the TRR. Participants agreed that landholder experience requires uplift, particularly in notifications, biosecurity, local points of contact, and access agreements. There was strong emphasis on proportionality and cost discipline.

Key directions: Support for a targeted, opt-in/opt-out engagement model, improved safety and biosecurity practices, clearer access agreements, and modest opex step changes justified by improved deliverability and reduced disputes. AusNet committed to refining and consulting on the proposed package.

4. Resilience Deep Dive (20 May 2025)

Primary focus: Resilience-driven capital investment in the TRR 2027–32. This session explored AusNet’s proposed resilience investments, including tower strengthening, South Morang Terminal Station transformer replacement, and digital capabilities. Discussion distinguished resilience from reliability and examined the increasing risk of extreme weather and system events. Participants broadly supported AusNet’s approach and investment rationale.

Key directions: General endorsement of the proposed resilience framework, with requests for clearer articulation of customer benefits, sensitivity testing, and further engagement on risk assessment and deliverability, particularly in light of the Victorian Transmission Plan.

5. Victorian Transmission Plan (VTP) Deep Dive (27 June 2025)

Primary focus: Interaction between the Draft VTP and AusNet's TRR proposal.

This session examined overlaps and tensions between VicGrid's Draft VTP and AusNet's proposed TRR capital program. Stakeholders debated planning accountability, contestability, timing mismatches, and customer impacts. AusNet explained its interpretation of the VTP and how it had adjusted its program.

Key directions: General satisfaction with AusNet's interpretation, but strong calls for clearer VTP timeframes, transparency, and coordination. AusNet committed to refining its proposal and conveying stakeholder feedback to VicGrid.
