October 2025

Investment Case

CP.98218 Gladstone Hub Project

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EXECUTIVE SUMMARY

Powerlink is facing significant operational and strategic challenges in Central Queensland (CQ), driven by increasing demand for works delivery and heavy reliance on personnel and resources from Southeast Queensland (SEQ).

In May 2023, Powerlink established an interim hub in Gladstone, with the intention that a permanent operational base would be developed in the region. This commitment is essential not only to support ongoing and future work within CQ, but also to provide training and professional development opportunities for employees based in the region.

Subsequently, Powerlink undertook significant engagement with both external and internal stakeholders regarding the design, scope, and inclusions of a permanent Gladstone Transmission Hub. This process involved extensive consultation, including the communication of anticipated project deadlines and lodgement of a Development Application (DA) to the Gladstone Regional Council.

The current interim hub in Gladstone is inadequate to meet future workforce and operational requirements, which will result in elevated travel and accommodation costs, reduced operational efficiency, and extended response times to emergency and fault events, due to the reliance on resources located in Southeast Queensland. This situation is compounded by the region's concentration of energy-intensive industries and the anticipated retirement of thermal generation, which is expected to exacerbate system strength issues and raise the risk of supply interruptions.

To address these risks and opportunities, Powerlink has proposed investment in a permanent Gladstone Transmission Hub. This facility would enhance local workforce capacity, reduce response times for emergencies and faults, and support efficient deployment of resources for maintenance and critical infrastructure projects. Co-location of emergency response equipment near high-risk assets would further strengthen network resilience and minimise disruptions.

Establishing a permanent hub is expected to deliver substantial operational efficiencies, cost savings, and improved workforce capability. It will also enable Powerlink to proactively manage the energy transition, maintain reliability for sensitive industrial loads, and support regional economic growth, employment, and community engagement. The project's risk mitigation strategy includes detailed cost estimation and financial governance, with a 10% contingency to address market and supply uncertainties.

Overall, the recommended investment in a permanent Gladstone hub is essential for Powerlink to meet its long-term strategic, regulatory, and stakeholder obligations in CQ, while reinforcing its commitment to the region's energy future.

1 INVESTMENT NEED

1.1 Overview

Powerlink faces escalating operational and strategic challenges in Central Queensland (CQ) due to increasing demand for works delivery, the notification of closure of Gladstone Power Station from March 2029[1], and reliance on personnel and resources based in Southeast Queensland (SEQ). The existing interim hub is no longer sufficient to accommodate projected workforce requirements, training needs, or the operational scale necessary to meet long-term strategic and regulatory obligations. Reliance on temporary facilities and external mobilisation results in elevated travel, accommodation, and operational costs, as well as reduced productivity and slower emergency and fault response times.

The Gladstone region hosts some of Queensland's most energy-intensive and voltage-sensitive industrial loads, including aluminium smelting, chemical manufacturing, and emerging hydrogen and renewables projects. With the forecast retirement of thermal generation, system strength issues are expected to intensify, increasing the risk of supply interruptions.

In May 2023, Powerlink established an interim hub in Gladstone, with the intention that a permanent operational base would be developed in the region. The current site can accommodate the existing Field and Asset Management (FAM) employees, providing facilities that support day-to-day operational functions of the current network.

Whilst the facilities are sufficient for short-term use, the existing interim hub is not able to support longer term operational needs, specifically as the regional network expands and increases in complexity. The current premises are also not designed to accommodate the training necessary to maintain and develop workforce knowledge and skills.

Consequently, the interim hub will progressively constrain Powerlink's ability to maintain system reliability, protect critical assets, and respond effectively to network events. In the longer term, this will place at risk our ability to deliver safe, secure, reliable and cost-effective transmission services.

Investment in a permanent hub in Gladstone presents a multifaceted opportunity to address these challenges. A permanent hub would enhance local workforce presence, enable faster emergency and fault response times and better support the deployment of resources for maintenance. Additionally, the ability to co-locate emergency response equipment near high-risk assets would further improve network resilience and minimise service disruptions.

Beyond operational resilience, a permanent hub would deliver efficiencies and cost savings, strengthen workforce capability, and support the delivery of critical transmission infrastructure projects. It would enable Powerlink to proactively respond to increasing network complexity and maintain reliability for sensitive industrial loads.

Establishing a permanent presence would also reinforce Powerlink's credibility, social licence, and long-term commitment to CQ, while supporting regional economic growth, local employment, and community engagement.

[1] Refer https://www.aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/generation_information/2025/generating-unit-expected-closure.xlsx?rev=7636290eb8af4b148326d16799a1326d&sc_lang=en

1.2 Operational Risks

Gladstone hosts several critical industrial customers, including aluminium smelters, chemical manufacturers, and energy-intensive processing facilities, each requiring continuous, high-capacity and stable electricity supply. Any interruption to network supply could result in substantial financial and operational consequences for these customers, with potential wider economic impacts for the state. Accordingly, ensuring the continued safe, secure and reliable supply of electricity is an essential priority.

Powerlink's strategy to maintain Gladstone based operational facilities mitigates this risk by strengthening local workforce capacity and capability. The proposed arrangements also facilitate the timely delivery of critical transmission infrastructure projects, which directly supports supply reliability to sensitive industrial loads.

The local workforce capacity and capability will also need to increase with the expansion of the transmission network in the region, and increased complexity arising from the installation of synchronous condensers to manage system strength requirements.

1.3 Training and Compliance Risks

The interim hub is not suitable as a dedicated venue for specialised training. While informal training can be accommodated, more structured, widespread training will result in extensive disruption to ongoing operational activities.

While much of the training and development for field-based employees occurs on operational sites, such as substations and communications facilities, all field workers are required to complete SCI-01, SCI-04 and SCI-05 secondary circuit isolation and secondary systems isolation training every three years. This training includes five modules over four to five days and is currently conducted in Southeast Queensland, requiring employees from Gladstone to travel to Brisbane to complete the training as the current site does not have the facilities or the trainers to support this.

1.4 Project Deliverables

An assessment of the specific and general needs above resulted in the following minimum deliverables being identified for the permanent purpose-built Gladstone hub:

- appropriate amenities for expected occupancy, including showers and toilets
- multipurpose training, meeting, and lunchroom facility of appropriate size
- dedicated area for training activities
- secure, controlled access and egress
- appropriate (area to be confirmed) warehousing facilities for major plant items
- storage area for hazardous chemicals, and
- vehicle wash bay.

2 INVESTMENT OPTIONS

2.1 Overview of Options

The following table summarises the options considered and costed in this investment case.

Options	Option Description	Capital Cost ($nominal)
Option 1 New purpose-built facility for occupancy late 2027	Establish a new, permanent purpose-built Gladstone hub to proposed design. Progress necessary approvals to complete tender and award construction contract in mid-2026, with a target occupancy date in late 2027.	$71.6 million
Option 2 (Recommended) New purpose-built facility for occupancy early 2029	Establish a new, permanent purpose-built Gladstone hub to proposed design. Progress necessary approvals to complete tender and award construction contract in mid-2027, with a target occupancy date in early 2029.	$74.9 million
Option 3 New purpose-built facility for occupancy early 2035	Establish a new, permanent purpose-built Gladstone hub to proposed design. Defer necessary approvals to complete tender and award construction contract in mid-2032, with a target occupancy date in early 2035.	$90.5 million
Option 4 (Counterfactual) Retain interim hub	Terminate the construction of the permanent purpose-built Gladstone hub, dispose of the land purchased for the hub and continue to lease the existing interim hub. Continue to utilise employees based in Southeast Queensland to meet additional resource requirements.	$12.0 million *

* Option 4 capital cost comprises sunk design costs, fit-out costs to address minimum necessary uplift for ongoing tenancy, and transaction fees for disposal of land. Under the buy-back covenant in the original land acquisition, the land must be sold back to Economic Development Queensland (EDQ) at the original purchase price.

2.2 Cost Allocation of Options

For all options, costs are assumed to be allocated between regulated and non-regulated activities, in accordance with Powerlink's Cost Allocation Methodology. The cost allocation to be applied is based on the ratio of forecast written down value of regulated asset base to non-regulated asset base in FY2030.

This results in an allocation of 74% regulated and 26% non-regulated.

3 EVALUATION OF OPTIONS

3.1 Option 1 – New Purpose-Built Facility for Occupancy Late 2027

This option provides for the continuation of the project with the original timeline. Under this option, construction work would commence in 2026, with commissioning of the new building in 2027/8 financial year.

3.1.1 Benefits

Benefit Description	Financial Value
Reduces the requirement for Powerlink to use SEQ based resources to support the ongoing maintenance and construction activities in the Gladstone region saving travel associated costs	$140,000 per FTE pa *
Permanent hub by FY2028 meets original stakeholder expectations and upholds commitments made internally and externally	N/A (Non-Financial)
Enhances Powerlink's capability to maintain continuity of supply to sensitive loads in Gladstone and support overall system strength due to ability to expand workforce	N/A (Non-Financial)
Additional resourcing and warehouse capacity supports works to expand the transmission network in the mid to long-term (benefit accrues to capital investments – not estimated)	N/A
Larger warehouse and storage facilities allow Powerlink to co-locate emergency response equipment near high-risk assets would further improve network resilience and minimise service disruptions	N/A (Non-Financial)

* Refer section 3.5 Cost Benefit Assessment for details of benefit calculation.

3.1.2 Risks

The table below summarises an assessment of the risks evident with this option. Assessments for all options have been undertaken in alignment with the Powerlink risk management framework.

Risk Description	Likelihood	Consequence	Risk Level
Uncertainty in the forecast portfolio of work results in lower long-term workforce requirements	Possible	Moderate	Significant
Interim hub unable to accommodate the workforce to support near to mid-term construction in Gladstone region	Unlikely	Major	Significant
Change in long-term work forecasts due to network planning and maintenance strategy gaps may affect benefit realisation	Possible	Major	Significant
Substantial commencement date cannot be met, EDQ enact the buy-back clause in the contract	Almost Incredible	Major	Low
Major projects like the 2032 Brisbane Olympics cause labour shortages and increased costs	Very Rare	Moderate	Low
Increased emergency and fault response times due to lack of local resource capacity, with impacts on reliability	Very Rare	Moderate	Low

3.2 Option 2 – New Purpose-Built Facility for Occupancy Early 2029

This option provides for completion of the new Gladstone hub in line with expected upturn in commissioning and maintenance activities in the region. This option is contingent upon securing a negotiated extension of the covenant date with EDQ of 24 months. It enables deferral of capital investment, while supporting the objectives.

3.2.1 Benefits

Benefit Description	Financial Value
Reduces the requirement for Powerlink to use SEQ based resources to support the ongoing maintenance and construction activities in the Gladstone region saving travel associated costs	$140,000 per FTE pa *
Permanent hub established slightly later than original stakeholder expectations – upholds commitments made internally and externally	N/A (Non-Financial)
Enhances Powerlink's capability to maintain continuity of supply to sensitive loads in Gladstone and support overall system strength due to ability to expand workforce	N/A (Non-Financial)
Additional resourcing and warehouse capacity supports works to expand the transmission network in the mid to long-term (benefit accrues to capital investments – not estimated)	N/A
Larger warehouse and storage facilities allow Powerlink to co-locate emergency response equipment near high-risk assets would further improve network resilience and minimise service disruptions	N/A (Non-Financial)

* Refer section 3.5 Cost Benefit Assessment for details of benefit calculation.

3.2.2 Risks

Risk Description	Likelihood	Consequence	Risk Level
Reputational damage, potential industrial disputes, and heightened workforce uncertainty, including concerns regarding job security	Possible	Moderate	Significant
Interim hub unable to accommodate the workforce to support near to mid-term construction in Gladstone region	Possible	Major	Significant
Change in long-term work forecasts due to network planning and maintenance strategy gaps may affect benefit realisation	Possible	Major	Significant
Substantial commencement date cannot be met, EDQ enact the buy-back clause in the contract	Possible	Major	Significant
Major projects like the 2032 Brisbane Olympics cause labour shortages and increased costs	Rare	Moderate	Moderate
Increased emergency and fault response times due to lack of local resource capacity, with impacts on reliability	Rare	Moderate	Moderate

Note 1: Alternative short-term lease arrangements have been assessed which may offer short-term practicality and provide a bridging solution until the permanent hub is completed.

Note 2: It is anticipated that by the latter half of 2028, Brisbane will experience labour shortages and cost increases of approximately 10% due to the 2032 Olympics. Regional areas will be less affected. However, increased costs for goods may flow through from Brisbane, particularly for products not locally sourced or those aligned with Olympic construction demand. Option 2 seeks to mitigate these risks by securing a tender and commencing construction in the latter half of 2027, thereby reducing exposure to forecast cost and resourcing pressures.

3.3 Option 3 – New Purpose-Built Facility for Occupancy Early 2035

This option provides for completion of the new Gladstone hub, but substantially delayed. This option is contingent upon securing a negotiated extension of the covenant date with EDQ until January 2034. While an extension is theoretically possible, it is unlikely that EDQ would agree to one of such length.

3.3.1 Benefits

Benefit Description	Financial Value
Reduces the requirement for Powerlink to use SEQ based resources to support the ongoing maintenance and construction activities in the Gladstone region saving travel associated costs	$140,000 per FTE pa *
Enhances Powerlink's capability to maintain continuity of supply to sensitive loads in Gladstone and support overall system strength due to ability to expand workforce	N/A (Non-Financial)
Larger warehouse and storage facilities allow Powerlink to co-locate emergency response equipment near high-risk assets would further improve network resilience and minimise service disruptions	N/A (Non-Financial)

* Refer section 3.5 Cost Benefit Assessment for details of benefit calculation.

3.3.2 Risks

Risk Description	Likelihood	Consequence	Risk Level
Reputational damage, potential industrial disputes, and heightened workforce uncertainty, including concerns regarding job security	Likely	Moderate	Significant
Interim hub unable to accommodate the workforce to support near to mid-term construction in Gladstone region	Almost Certain	Major	High
Change in long-term work forecasts due to network planning and maintenance strategy gaps may affect benefit realisation	Possible	Major	Significant
Substantial commencement date cannot be met, EDQ enact the buy-back clause in the contract	Almost Certain	Major	High
Major projects like the 2032 Brisbane Olympics cause labour shortages and increased costs	Very Rare	Moderate	Low
Increased emergency and fault response times due to lack of local resource capacity, with impacts on reliability	Possible	Moderate	Significant

3.4 Option 4 – Retain Interim Hub (Counterfactual)

This option provides for the termination of this project and divestment of Lot 13, Clinton Industrial Estate, Bensted Road, Clinton. It is presented as the 'counterfactual' option, i.e. provides for comparison if we effectively 'did nothing' to address the need.

If Powerlink sell the land, there is a requirement to sell the property to EDQ at the original purchase price due to the buy-back convent. This would result in an opportunity cost, as the land has appreciated by over 80% since acquisition. This option is not preferred, primarily due to the absence of suitable lease arrangements in Gladstone, the forecast growth in regional workload, and the anticipated escalation in operational expenditure arising from increased reliance on Southeast Queensland resources, including the associated travel and accommodation cost.

Additionally, the interim site is unable to accommodate all requirements necessary to support ongoing operational activities or future expansion. Further capital investment would also be required to render the interim site fit for purpose and capable of supporting long-term operations in the region.

3.4.1 Benefits

Benefit Description	Financial Value
No significant capital investment	Approx $62.5 million
Reduces the requirement to utilise SEQ resources in the region to perform maintenance (but limited)	$140,000 per FTE pa *

* Refer section 3.5 Cost Benefit Assessment for details of benefit calculation.

3.4.2 Risks

Risk Description	Likelihood	Consequence	Risk Level
Reputational damage, potential industrial disputes, and heightened workforce uncertainty, including concerns regarding job security	Almost Certain	Moderate	High
Interim hub unable to accommodate the workforce to support near to mid-term construction in Gladstone region	Almost Certain	Major	High
Change in long-term work forecasts due to network planning and maintenance strategy gaps may affect benefit realisation	Rare	Major	Moderate
Substantial commencement date cannot be met, EDQ enact the buy-back clause in the contract	Almost Certain	Major	High
Major projects like the 2032 Brisbane Olympics cause labour shortages and increased costs	Very Rare	Moderate	Low
Increased emergency and fault response times due to lack of local resource capacity, with impacts on reliability	Possible	Moderate	Significant

3.5 Cost Benefit Assessment

A preliminary cost benefit assessment was undertaken to compare options in net present terms, as shown in the following table.

Net Present Value (NPV)	Construction Start FY26	Construction start FY28	Construction start FY33	Interim hub
Initial capex	[redacted]	[redacted]	[redacted]	[redacted]
Refit capex	[redacted]	[redacted]	[redacted]	[redacted]
Opex	[redacted]	[redacted]	[redacted]	[redacted]
Lease cost	[redacted]	[redacted]	[redacted]	[redacted]
Benefit (savings)	[redacted]	[redacted]	[redacted]	[redacted]
Land disposal	[redacted]	[redacted]	[redacted]	[redacted]
Tax benefit/paid	[redacted]	[redacted]	[redacted]	[redacted]
Terminal value	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]

This NPV assessment was based on the following common assumptions to options 1-3:

- Includes capital expenditure to date of $9.3 million, comprising $2.8 million for land and $6.5 million for design and overheads.
- The construction period is expected to span two years.
- Expected refit costs comprise office refurbishment in years 15 and 30 post-construction at $6.4 million and $7.8 million respectively (nominal) and warehouse refurbishment in year 30 at $6.5 million (nominal).
- Operating and maintenance costs for the permanent hub are assumed to be 2.5% of total construction costs, escalated at 2.5% per annum.
- The interim hub lease, including outgoings, is $340,000 for FY2026 and escalates at 2.5% per annum, with the lease expected to terminate upon commissioning of the permanent hub.
- Terminal value captures net proceeds from the eventual sale of the asset, including land, with an assumed annual appreciation of 3%.

The NPV analysis also incorporates anticipated benefits, including productivity, travel, accommodation, and travel allowance savings for each option. These were calculated by determining a rate for each benefit expressed as $ per full-time equivalent (FTE) per year in 2024/25 prices, and assumed to escalate at 2.5% per annum, with total savings per FTE estimated at $140,000 per annum, comprising:

- $59,000 productivity savings, based on three hours per trip, two trips per week for 50% of the year
- $40,000 travel cost savings, based on $839 per return flight for 48 trips annually
- $20,000 accommodation savings, based on $207 per day for 96 days annually, and
- $21,000 travel allowance savings, based on allowances for meals and incidentals over 96–120 days annually.

The savings analysis is based on FAM Field Delivery staff only, assuming 37 FTEs prior to permanent hub commissioning (23 Field Delivery, 12 Apprentices, 2 Section Leaders). For options 1-3, these were assumed to increase to 54 FTEs in FY2029 (or upon commissioning of the permanent hub) and to 67 FTEs from FY3033.

4 DELIVERY RISK CONSIDERATIONS

Effective risk mitigation for the Gladstone Transmission Hub Project centres on a combination of proactive engagement, governance, and comprehensive planning measures.

- Financial risks are managed through detailed cost estimation processes, including a 10% contingency to offset potential market volatility and material supply disruptions.
- Land purchase risks are addressed by monitoring covenant timelines and maintaining close dialogue with stakeholders such as EDQ to minimise strategic losses.
- Approval and schedule risks are mitigated through early and ongoing engagement with the Gladstone Regional Council and dedicated town planning consultants, ensuring compliance and expediting development application processes.
- Reputation and social licence concerns are mitigated with transparent internal and external communications, regular briefings to employees, unions, local suppliers, and community leaders, and a commitment to maintaining regional workforce programs.
- Construction and industrial risks will be managed by adopting a design and construction contract model, fostering competitive tendering, and maintaining regular meetings with industrial stakeholders.

These strategies collectively aim to safeguard project delivery, cost effectiveness, and stakeholder confidence throughout the life of the project.

5 RECOMMENDATION

5.1 Recommended Option

Based on the assessment of the benefits and risks outlined above, it is recommended that Option 2 is developed further, before a final investment decision is sought. A particular area of focus should be on identification of potential 'hybrid' options with a consideration of trade-offs between deliverables achievable (benefits realised) and upfront capital cost.

Option 2 is the most credible option that best balances financial prudence, regulatory alignment and operational delivery, specifically it:

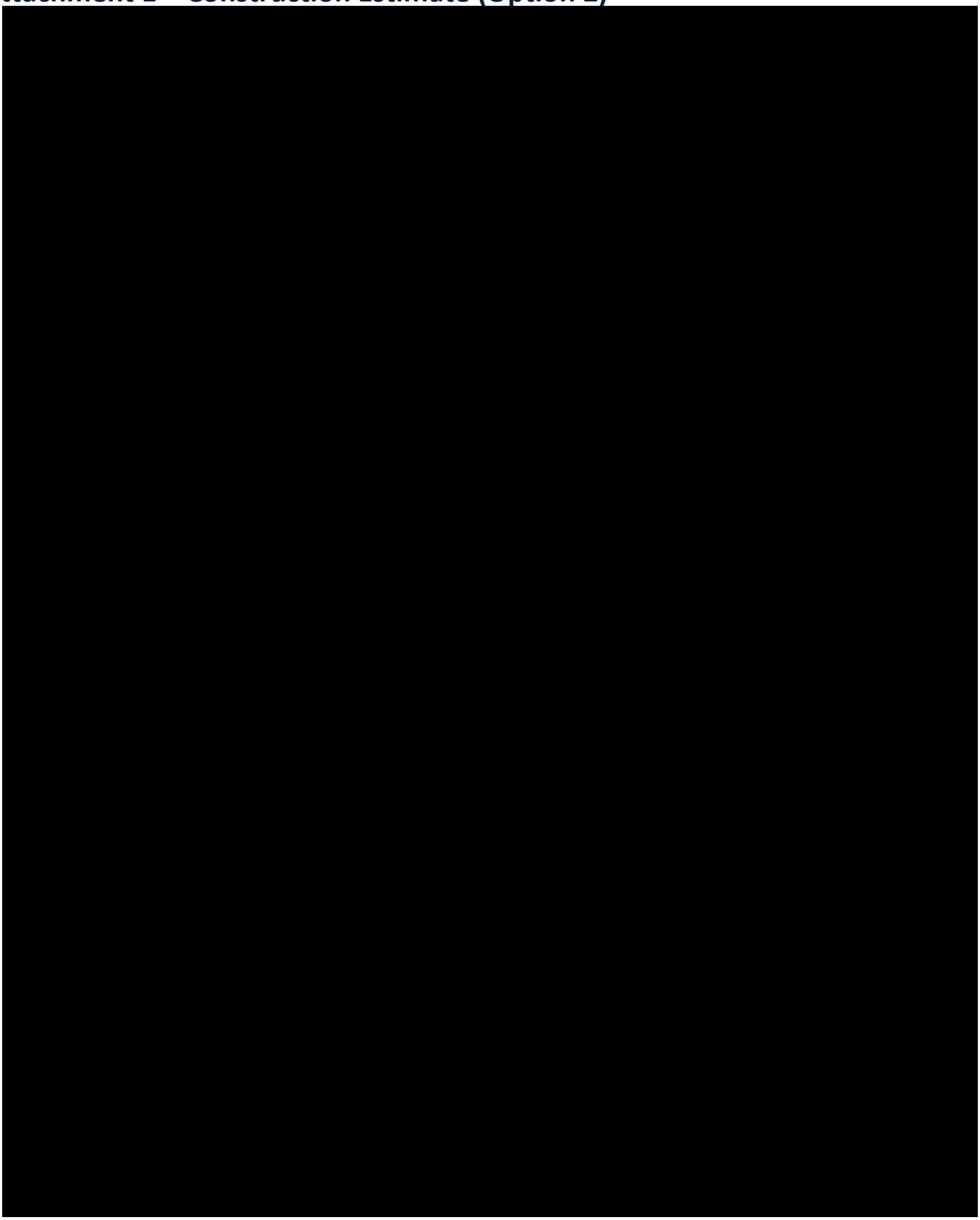
- reduces reliance on Southeast Queensland resources by enabling a sustainable workforce within the Gladstone region, improving response times for emergency and fault restoration and reducing deployment costs for maintenance and construction activities
- establishes the necessary long-term training facilities to develop and maintain critical workforce knowledge and skills, while significantly reducing travel
- aligns significant further project investment with the anticipated need for expanded capacity of the Gladstone hub, and
- mitigates market cost escalation risks by targeting construction commencement ahead of forecast labour and supply cost pressures associated with the 2032 Brisbane Olympics.

5.2 Next steps

Below are the proposed key dates to progress further development of the recommended option to support final investment decision, together with key delivery milestones.

Activity / milestone	Indicative Date
Update investment case – additional optioning to identify potential 'hybrid' options / variations of existing options	March 2026
Update investment case – validate and finalise assessment of need, opportunity, cost and benefit of each option	July 2026
Powerlink Board Approval	October 2026
Release construction tender	April 2027
Main Contractor Appointment	July 2027
Construction Start	September 2027
Construction End	February 2029

Attachment 1 – Construction Estimate (Option 2)



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