January 2026

Powerlink 2027-32 Revenue Proposal

Appendix 4.01

Operating and Capital Expenditure Criteria and Factors

1 Purpose

This document details the alignment of Powerlink's operating and capital expenditure forecasts for the 2027-32 regulatory period with the expenditure criteria and factors as identified in the National Electricity Rules (the Rules). These are set out in clause 6A.6.6 of the Rules for operating expenditure and clause 6A.6.7 of the Rules for capital expenditure.

Our expenditure forecasting methodologies are designed to satisfy the requirements of these criteria and factors for both operating and capital expenditure. We consider that the overall forecasts will allow us to maintain and operate the network safely and securely, meet the expected demand for prescribed transmission services and comply with all applicable regulatory obligations and requirements.

We have identified how we consider our expenditure forecasts meet the operating and capital expenditure objectives of the Rules in Chapter 5 Operating Expenditure and Chapter 4 Capital Expenditure, respectively.

2 Operating Expenditure

2.1 Operating Expenditure Criteria

Our forecast operating expenditure for the 2027-32 regulatory period reasonably reflects the operating expenditure criteria set out in clause 6A.6.6(c) of the Rules. As a result, we consider that it satisfies the Australian Energy Regulator's (AER's) requirements for acceptance.

Our compliance with each of the operating expenditure criteria is outlined in the following sections.

2.1.1 The efficient costs of achieving the operating expenditure objectives

Our operating expenditure forecast for the 2027-32 regulatory period has a strong focus on customers, costs and complexity. We have consulted extensively with customers and other stakeholders to develop an operating expenditure forecast which is prudent, efficient and capable of acceptance.

As described in Chapter 5 Operating Expenditure, we have forecast operating expenditure using the AER's base-trend-step methodology. The base year used in our base-trend-step model is 2025/26. This base year represents a typical year of operations and is reflective of our ongoing maintenance requirements to ensure the safety of the transmission system and deliver reliable services to our customers. We have forecast for an appropriate balance of operating expenditure to ensure network assets deliver the required safety, reliability, availability and quality of supply in the most prudent and efficient manner. We have adjusted our base year to remove non-recurrent expenditure.

We engaged HoustonKemp to perform an independent review of the efficiency of our base year expenditure. HoustonKemp (report included in Appendix 5.03) noted that in the absence of further evidence on broader industry trends and noting Powerlink's current benchmarking results, the available information is not yet sufficient to support a conclusion that the forecast 2025/26 operating expenditure is not materially inefficient.

We will drive the business to achieve an operating expenditure productivity factor of 0.42% per annum to offset growth in operating expenditure, in line with the benchmark industry average.

To ensure an efficient and realistic forecast, real labour price growth has been based on an average of two forecasts by independent experts, one prepared for Powerlink and one based on advice prepared for the AER in March 2025, in relation to the Energy Queensland Final Decision.

For non-labour costs, we have forecast zero real price growth. We recognise that there is a risk with adopting this approach, however, we consider this is an appropriate balance of risk. Output growth forecasts are based on the Australian Energy Market Operator's (AEMO's) 2025 Electricity Statement of Opportunities (ESOO)[1] and 2024 Integrated System Plan (ISP)[2].

We propose three operating expenditure step changes for the 2027-32 regulatory period, following detailed analysis of material changes in our regulatory obligations, the external market and trade-offs between capital and operating expenditure. These step changes, with a total cost of $85.1 million (real, 2026/27), cannot be accommodated within the rate of change factor while maintaining a safe and reliable network. The step changes and the assessment process taken are detailed further in Chapter 5 Operating Expenditure and Appendix 5.05 Operating Expenditure Step Changes Approach.

We consider that our proposal is prudent and efficient and reflects the efficient costs of achieving the operating expenditure objectives.

2.1.2 The costs that a prudent operator would require to achieve the operating expenditure objectives

Our operating expenditure forecasts include provision for undertaking the activities of a prudent transmission network business. Beyond the efficient delivery and provision of prescribed transmission services, we act to ensure we are recognised as a prudent operator of our transmission network. This includes activities that support the primary delivery of transmission services, such as:

- **Meaningful engagement with customers and other stakeholders, with a particular focus on communities who host our transmission infrastructure**.
  We have a dedicated Customer Panel that represents a broad variety of customers and views. We also have a dedicated Community and Delivery Services group, that regularly engages with landholders and other stakeholders as part of day-to-day operations, and a Connections and Development team that provides support to directly connected customers.
- **Ensuring the physical and cyber security of the transmission network and its protection and control systems**.
  Throughout the current regulatory period, we have undertaken new compliance measures in response to SOCI physical security obligations, implementing these in phases during both the 2022-27 period and continuing into 2027-32. Additionally, we have enhanced our cyber security strategy and capabilities, achieving the required level of maturity as assessed under the Australian Energy Sector Cyber Security Framework (AESCSF). Further details on the current period are provided in Section 5.3.2.1 of our Revenue Proposal, while new operating expenditure costs and obligations are outlined in Section 5.6.3.1 of our Revenue Proposal.
- **Careful operation of the network to minimise impacts to the wholesale energy market and our customers**.
  Managing our network is becoming more complex, with an increasing number of geographically dispersed inverter-based generators, battery energy storage systems and pumped hydro energy storage now connected to Powerlink's transmission network. This presents technical challenges in keeping electricity supply and demand balanced in real time while minimising impacts to the network.

[1] 2025 Electricity Statement of Opportunities, Australian Energy Market Operator, August 2025.
[2] 2024 Integrated System Plan for the National Electricity Market, Australian Energy Market Operator, June 2024.

- **Pursuing business improvement initiatives to improve the overall efficiency of our products, people, and processes**.
  We seek to improve our overall efficiency as part of our business as usual operations. This will be a particular focus for the 2027-32 regulatory period to reach our productivity factor target of 0.42% per annum. We discuss our productivity and potential initiatives further in Sections 5.3.3 and 5.6.2.5 of our Revenue Proposal.

2.1.3 A realistic expectation of the demand forecast and cost inputs required to achieve the operating expenditure objectives

For the development of operating expenditure forecasts, we have used the demand and energy forecasts in AEMO's most recent ESOO published in August 2025[3] as well as its 2024 ISP[4].

Details on the inputs we have used to determine the rate of change elements of the base-trend-step model are included in Section 5.6.2 of our Revenue Proposal. Further details on the calculation of input costs including labour and non-labour price growth, is contained in Chapter 6 Escalation Rates of our Revenue Proposal.

2.2 Assessment against operating expenditure factors

The AER, in deciding whether it is satisfied that our forecast operating expenditure reasonably reflects the operating expenditure criteria, has regard to the operating expenditure factors set out in clause 6A.6.6(e) of the Rules. Commentary on these operating expenditure factors in relation to our forecast operating expenditure are detailed in the following sections.

2.2.1 AER annual benchmarking report

The most recent annual benchmarking report for electricity Transmission Network Service Providers (TNSPs)[5] was published by the AER in November 2025. The report presents information on a range of benchmarks, namely:

- Multilateral Total Factor Productivity (MTFP)
- Multilateral Partial Factor Productivity (MPFP), and
- Partial Performance Indicators (PPIs).

We have had regard to the AER's benchmarking report in the preparation of our forecast operating expenditure for the 2027-32 regulatory period.

We engaged HoustonKemp to provide an independent review of our performance based on the information in the AER's benchmarking report and to advise on the efficiency of our proposed base year (2025/26) to forecast operating expenditure in the 2027-32 regulatory period.

We discuss how we have had regard to benchmarking in Section 5.6.1.4 of our Revenue Proposal and have provided HoustonKemp's report in Appendix 5.03. The ability of HoustonKemp to provide an independent view of the comparative efficiency our base year is impacted by the change from annual Regulatory Information Notices to the new format Annual Information Order.

[3] 2025 Electricity Statement of Opportunities, Australian Energy Market Operator, August 2025.
[4] 2024 Integrated System Plan for the National Electricity Market, Australian Energy Market Operator, June 2024.
[5] Annual Benchmarking Report Electricity transmission network service providers, Australian Energy Regulator, November 2025.

2.2.2 Expenditure during preceding regulatory periods

An overview of our operating expenditure performance in the 2022-27 regulatory period is provided in Chapter 5 Operating Expenditure.

Total operating expenditure in the 2022-27 regulatory period is forecast to be $1,517.2m (real, 2026/27) excluding debt raising, which represents a 16% increase in operating expenditure compared to the 2017-22 regulatory period.

Our total forecast expenditure of $1,517.2m is $255.3m (20%) higher than the AER's total allowance for the 2022-27 regulatory period. This is driven mainly by workforce and wage growth, rapidly increasing network complexity requiring more frequent operator intervention and new regulatory and compliance obligations relating to the security of critical infrastructure assets.

We discuss our historical operating expenditure drivers in Section 5.3 of our Revenue Proposal.

2.2.3 Feedback from consumers

Customer engagement has been fundamental to the development of forecast operating expenditure for the 2027-32 regulatory period. Details of our approach to engaging with customers are described in Chapter 3 Customer Engagement, Appendix 3.03 Engagement Approach and Outcomes and Chapter 5 Operating Expenditure.

In the development of our Revenue Proposal, we undertook engagement activities with customers and stakeholders including our Customer Panel and the Revenue Proposal Reference Group (RPRG). The RPRG is a sub-set of our Customer Panel that meets more frequently to provide input and challenge to the Revenue Proposal.

The RPRG met 11 times in 2025 to inform the development of our Revenue Proposal, with six expenditure forecasts presented for consideration. We also gained insights and input from our customers through engagement at our Transmission Network Forums, the Queensland Household Energy Survey, and a commercial and industrial load customer survey.

Customer feedback directly influenced several key aspects of our operating expenditure forecast:

- **Step changes**
  Customers sought further information on the process of identifying and pursuing step changes. From an original list of 21 potential step changes, four were progressed for consideration by the RPRG, with three included in our Revenue Proposal. We discuss step changes further in Section 5.6.3 and Appendix 5.05 of our Revenue Proposal.
- **Insurance**
  Customers recognise and are concerned by increases in insurance premiums across the energy sector. To provide our customers and other stakeholders with the opportunity to hear from and speak directly to experts in the global insurance field, we arranged for our insurance broker, Marsh, to discuss the insurance market with the RPRG. In our draft Revenue Proposal, published in September 2025, we initially proposed to include Insurance as a category specific forecast. In our Revenue Proposal, following engagement with the RPRG, we have included insurance within our base-trend forecast operating expenditure. We discuss insurance in Section 5.7.1 of our Revenue Proposal.

- **Alternative growth measure**
  In our draft Revenue Proposal, we proposed an alternative output growth measure for the purpose of forecasting operating expenditure for the 2027-32 regulatory period and engaged with the RPRG on this option. Based on feedback from the RPRG we undertook further analysis and, in November 2025, presented two options to the RPRG for consideration as a proxy for complexity – customer numbers (the current approach) and generation capacity. The options presented considered potential trade-offs with proposed step changes and the impact of changes to productivity outcomes. We empowered the RPRG under the IAP2 Public Participation Spectrum to select the approach to be included in Powerlink's 2027-32 Revenue Proposal. As a result, Powerlink has adopted the AER's preferred approach to output growth. We discuss the alternative growth measure in Section 5.6.2.3 of our Revenue Proposal.

2.2.4 Relative prices of capital and operating inputs and substitution possibilities between capital and operating expenditure

We consider the interaction of capital and operating expenditure and practices as part of our Revenue Proposal development and asset management practices in the normal course of business. This includes consideration of the opportunities for substitution between capital and operating expenditure to deliver prudent and efficient outcomes.

We have proposed no material capital and operating expenditure substitutions in our expenditure forecasts for the 2027-32 regulatory period. However, following clarification of regulatory requirements and increasing adoption of cloud-based solutions, implementation costs for cloud-based services are now recognised as operating expenditure, representing a change from the previous regulatory periods. Transition to cloud-based solutions is discussed in Section 5.6.3.2 of our Revenue Proposal.

As outlined in Chapter 4 Capital Expenditure, reinvestment in the transmission network is required as assets approach the end of their technical life. Deferring reinvestment could lead to increased operating costs to address deterioration of asset condition. Conversely, additional operating expenditure to undertake enhanced maintenance of assets may enable the efficient deferral of reinvestment decisions. We also consider substitution opportunities through non-network solutions such as network support. These options can extend the capability of existing network assets, mitigate system impacts during contingency events, improve power system security and allow us to deliver additional market benefits without the need for network augmentation.

With regards to the relative prices of inputs to operating and capital expenditures we have adopted the same cost escalation factors to both our operating and capital expenditure forecasts. These are detailed in Chapter 6 Escalation Rates of our Revenue Proposal.

2.2.5 Consistency with incentive schemes or other schemes

The Efficiency Benefit Sharing Scheme (EBSS), Service Target Performance Incentive Scheme (STPIS) and Demand Management Innovation Allowance Mechanism (DMIAM) are relevant to our operating expenditure forecasts.

Efficiency Benefit Sharing Scheme

Our operating expenditure forecast is consistent with Version 2 of the EBSS that will apply to Powerlink in the 2027-32 regulatory period (as noted in the Framework and Approach Paper for Powerlink[6]). The EBSS offers a continuous incentive for improvements in operating expenditure efficiency. Our EBSS approach is explained in Section 13.3 of our Revenue Proposal.

[6] Framework and Approach Powerlink transmission determination 2027-32, Australian Energy Regulator, July 2025.

Service Target Performance Incentive Scheme

Our forecast operating expenditure does not include any expenditure specifically to improve network performance under the STPIS. Any improvement in STPIS outcomes as a result of undertaking maintenance or other operating expenditure activities is ancillary to the primary purpose of the expenditure. The outcomes and components of the STPIS are outlined in Section 13.5 of our Revenue Proposal.

Demand Management Innovation Allowance Mechanism

Consistent with the endorsement of the RPRG, our forecast operating expenditure does not include any expenditure specifically for innovative demand management solutions under DMIAM. Refer to Section 13.6 of our Revenue Proposal.

2.2.6 Expenditure reflects arm's length terms

Any part of our forecast operating expenditure that references arrangements with other parties reflects arm's length terms.

2.2.7 Contingent projects

Our forecast operating expenditure does not include any expenditure relating to our proposed contingent projects. The rate of change parameter in our base-trend-step model does not include any growth attributable to contingent projects.

2.2.8 Most recent Integrated System Plan

We have had regard to the 2024 ISP and draft 2026 ISP in the development of our Revenue Proposal. Whilst these reports do not present any factors that have directly impacted our operating expenditure forecast, we have considered the potential implications of preparatory works related to ISP projects should those projects not proceed.

AEMO's 2024 ISP declared the Queensland to New South Wales Interconnector (QNI) Connect project as actionable, requiring Powerlink and Transgrid to start the Regulatory Investment Test for Transmission (RIT-T) assessment and publish a Project Assessment Draft Report (PADR) by 25 June 2026. Two other Queensland projects will proceed under the new Priority Transmission Investment (PTI) framework instead of being immediately actionable.

We have not included any specific amounts in our operating expenditure forecast for preparatory works related to actionable projects or projects proceeding under the PTI framework.

2.2.9 Non-network options

Our approach to considering non-network alternatives such as network support is outlined in Section 5.7.4 of our Revenue Proposal. While Powerlink will incur system security network support costs, we have included a forecast of $0 in our operating expenditure forecast in line with the Australian Energy Market Commission's (AEMC's) final Rule[7].

[7] Final Rule: Improving Security Frameworks for the Energy Transition, Australian Energy Market Commission, 30 March 2023.

For the 2027-32 regulatory period we have proposed $0 allowance per annum for other network support costs as part of our total forecast operating expenditure. To the extent that a network support event occurs during the 2027-32 regulatory period, we will make a network support pass through application under clause 6A.7.2 of the Rules.

2.2.10 Regulatory Investment Test for Transmission (RIT-T)

Powerlink has undertaken a RIT-T to address system strength requirements that could be relevant to our forecast operating expenditure. This is outlined in Section 4.6 of our Revenue Proposal.

2.2.11 Other factors

At the time of submission of our Revenue Proposal in January 2026, the AER had not advised Powerlink of any additional operating expenditure factors.

3 Capital Expenditure

3.1 Capital expenditure criteria

Our forecast capital expenditure for the 2027-32 regulatory period reasonably reflects the capital expenditure criteria set out in clause 6A.6.7(c) of the Rules. As a result, we consider that it satisfies the AER's requirements for acceptance.

Our compliance with each of the operating expenditure criteria is outlined in the following sections.

3.1.1 The efficient costs of achieving the capital expenditure objectives

The 2022-27 regulatory period has been marked by unprecedented increases is costs, driven by global supply chain disruptions, inflationary shocks, and heightened demand for specialised infrastructure. These dynamics resulted in escalation rates far exceeding CPI-based forecasts within the current period. While these cost increases have resulted in a higher baseline for the ongoing prices for major plant items and specialist resources, we have forecast zero real price growth in the 2027-32 regulatory period. We recognise that there is a risk with adopting this approach, however, we consider this is an appropriate balance of risk.

We consider our forecast capital expenditure for the 2027-32 regulatory period represents an efficient level of investment that balances the needs of our customers and our network amid rising costs and uncertainty.

The quantity of proposed asset investment, particularly reinvestment in network assets, represents a continuation of the benchmarks established by the AER in its Final Decision for our current regulatory period. The increased reinvestment quantities for overhead transmission lines and secondary systems are consistent with the historical investment quantities for these assets. Similarly, the reinvestment quantities for substation switchgear also reflect the historical investment profile and the reinvestment quantities undertaken during the current and previous regulatory periods.

We have sought proactive solutions to manage the delivery cost pressures, such as developing new supply arrangements for key equipment and enhancing targeted investment on existing transmission lines. Our forecast costs for delivering the forecast investment quantities are based on a continuation of our practices that were accepted by the AER for our current regulatory period and are consistent with industry benchmarks for efficient project delivery.

Depending on the category of project, identified investment needs may be triggered by growth in customer demand exceeding existing network capacity, the condition or obsolescence of existing network assets, the need to enhance building facilities, or the need to upgrade cyber security protection.

We produce our project estimates using a first principles approach, where the estimate is calculated based upon the specific resources and quantities required to complete the defined scope of works (e.g. labour, equipment, materials and subcontracts). We also identify and cost items particular to the project site to account for project-specific site conditions.

Project estimates provide the basis for economic analysis, management decisions, budgets and cost control. Estimates of increasing accuracy may be produced to support these activities as a project progresses, and engagement occurs with external providers.

3.1.2 The costs that a prudent operator would require to achieve the capital expenditure objectives

Our capital expenditure forecasts include provision for undertaking the activities of a prudent transmission network business. Beyond the efficient delivery and provision of prescribed transmission services, we act to ensure we are recognised as a prudent operator of our transmission network. This includes activities that support the primary delivery of transmission services, such as:

- **Application of the Asset Reinvestment review.**
  During the revenue determination process for our 2022-27 regulatory period, we committed to undertake a review of our approach to network asset reinvestment, particularly for overhead transmission lines. This review included representatives of customers, the AER and Powerlink subject matter experts, and concluded in June 2023 with the publication of the Asset Reinvestment Review Working Group Report[8]. In preparing our 2027-32 Revenue Proposal, we have implemented the key recommendations of the Asset Reinvestment Review. In addition, we have identified further improvements to deliver a more cost-effective approach, which has substantially reduced the number of towers requiring intervention in the 2027-32 period.
- **Meaningful engagement with customers and stakeholders, with a particular focus on the communities who host our transmission infrastructure.**
  We have a dedicated Customer Panel that represents a broad variety of customers and views. We also have a dedicated Community and Delivery Services group, that regularly engages with landholders and other stakeholders as part of day-to-day operations, and a Connections and Development team that provides support to directly-connected customers. With the changing requirements for transmission infrastructure, understanding community needs and ensuring transparent engagement is essential to maintain Powerlink's social licence to operate. Powerlink has developed a community engagement approach to define how we build relationships based on trust and develop engagement that genuinely generates benefits for both communities and Powerlink.

[8] Asset Reinvestment Review - Working Group Report, Powerlink, June 2023.

- **Ensuring the physical and cyber security of the transmission network and its protection and control systems.**
  Like all modern utilities, Powerlink relies on complex information technology (IT) and operational technology (OT) systems to operate its network and business processes. With cyber security threats continuing to grow, both cyber and physical security have become increasing priorities for investment. As a critical infrastructure provider, Powerlink takes reasonable steps to safeguard our network and its protection and control systems. This is discussed further in Chapter 4 Capital Expenditure and in investment cases for our proposed Substation Security Uplift Programme and our ITOT Cyber Security Program, which are provided as supporting documents to our Revenue Proposal.
- **Careful planning of network outages to minimise impacts to the wholesale energy market and our customers.**
  Network access remains a challenge for project delivery. Ongoing network constraints due to system reliability needs require structured long-term planning to overcome. Our 5-year delivery plan considers outage planning, ensuring works that have a potential network impact are staggered and region-specific network constraints are mitigated appropriately. Powerlink works closely with AEMO to coordinate these works.
- **Pursuing business improvement initiatives to improve the overall efficiency of our products, people, and processes**.
  Key initiatives that are currently under trial or development include:
    - Real Time Ratings – delivering cost-effective uplift of network transfer capability and situational awareness by moving from static or equipment seasonal ratings to dynamic, weather and condition-based ratings.
    - Digital Engineering – providing a common data environment and consistent data management practices to create a digital representation of assets. This supports improved asset understanding over time, streamlines lifecycle maintenance, and improves future design.
    - Drone Imaging – using drones and artificial intelligence to improve assessment of corrosion levels on steel transmission towers, enabling more accurate and efficient condition monitoring.

3.1.3 A realistic expectation of the demand forecast and cost inputs required to achieve the capital expenditure objectives

For the development of capital expenditure forecasts, we have adopted the Central Scenario outlook from Powerlink's 2025 Transmission Annual Planning Report (TAPR)[9], published in October 2025. The demand forecast is developed through a methodology that projects future electricity demand based on historical demand and energy data, identifying trends and patterns in consumption to establish a baseline.

Details on our approach to input cost escalation, including our cost estimating approach is provided in Chapter 4 Capital Expenditure. Further details on the calculation of input costs including labour and non-labour price growth, is contained in Chapter 6 Escalation Rates of our Revenue Proposal.

For non-labour costs, we have forecast zero real price growth. We recognise that there is a risk with adopting this approach, however, we consider this is an appropriate balance of risk.

[9] 2025 Transmission Annual Planning Report, Powerlink, October 2025.

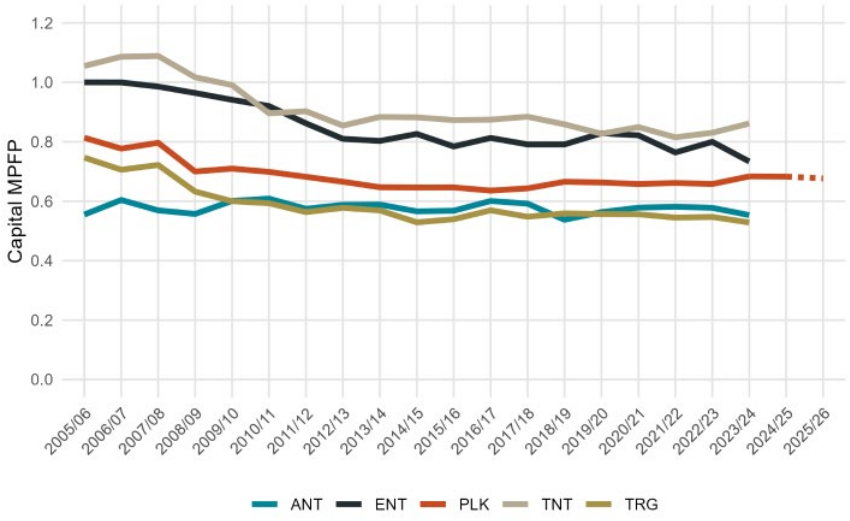
3.2 Assessment against capital expenditure factors

The AER, in deciding whether it is satisfied that our forecast capital expenditure reasonably reflects the capital expenditure criteria, has regard to the capital expenditure factors set out in clause 6A.6.7(e) of the Rules. Commentary on these capital expenditure factors in relation to our forecast capital expenditure are detailed in the following sections.

3.2.1 AER annual benchmarking report

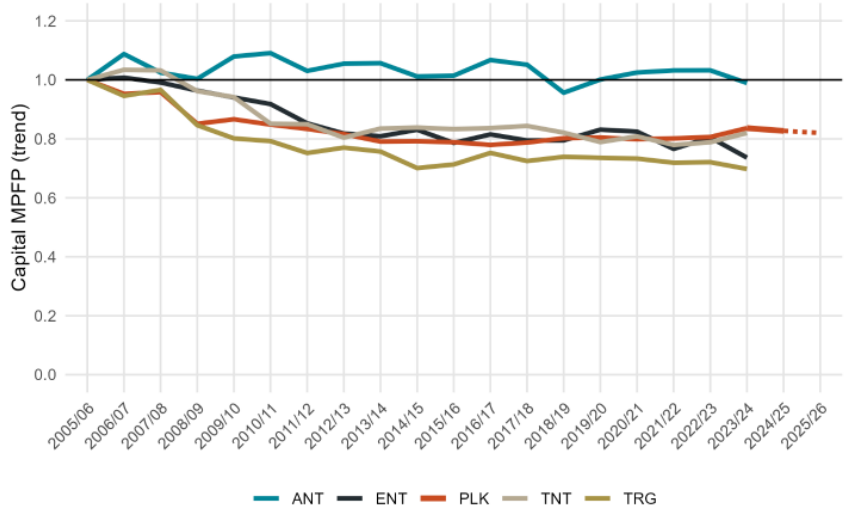
We engaged HoustonKemp to undertake an independent review of our benchmarking performance against other TNSPs and key productivity trends as presented in the AER's 2025 benchmarking report in Appendix 5.03. Figure 1 presents the trend in capital expenditure MPFP index for TNSPs over the period 2006-24.

Figure 1 - Historical and projected absolute capital MPFP by TNSP, 2006-2024



Source: HoustonKemp, Efficiency of Powerlink's proposed base year operating expenditure, December 2025

Figure 2 - Capital MPFP performance relative to 2005/06 by TNSP



Source: HoustonKemp, Efficiency of Powerlink's proposed base year operating expenditure, December 2025

Our capital MPFP measure has improved since 2022/23 and is now positioned at the upper end of TNSPs' performance, excluding AusNet. This is primarily due to an increase in the output measure, driven by increases in maximum demand and energy throughput, while the capital input measure increased only marginally. In trend terms, HoustonKemp noted that the TNSPs are closely grouped with respect to capital MPFP, except for AusNet Services, which does not undertake material augmentation expenditure in Victoria.

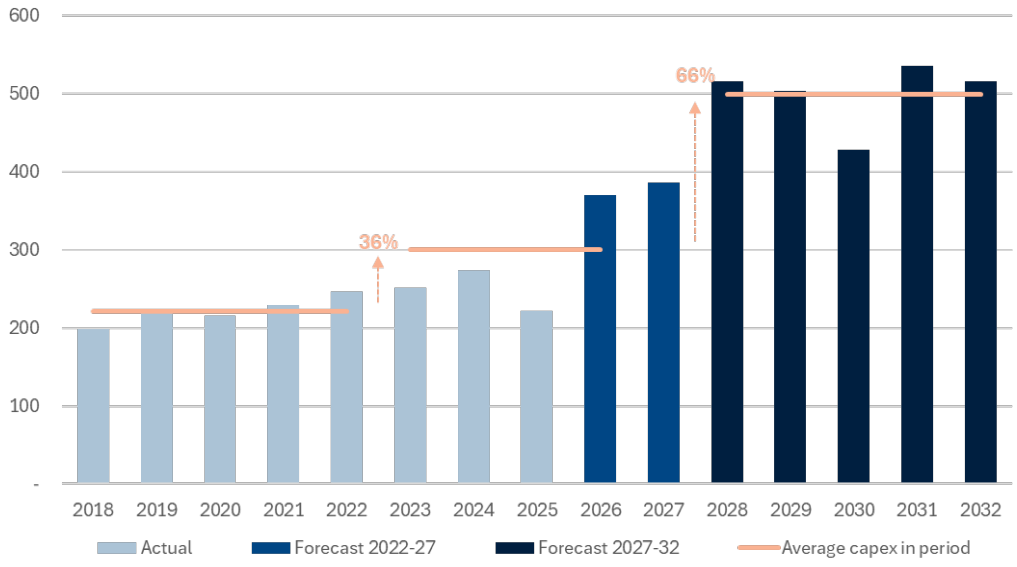
Under the AER's multilateral productivity measures, capital inputs relate to the physical capacity of the network, not the cost to customers of providing that physical capacity. As a result, the reduction in the real value of our Regulatory Asset Base (RAB) since 2014/15 is not recognised in the multilateral productivity measures. Costs to customers for the capital assets deployed are instead captured in the AER's PPI, which includes return on capital, depreciation, and operating expenditures. Under PPI measures, Powerlink's performance generally aligns with that of other TNSPs.

Collectively, these results provide a reasonable indicator of our prudent asset management and reinvestment approach. The benchmarking results suggest that Powerlink's capital productivity performance is in line with our industry peers.

3.2.2 Expenditure during preceding regulatory periods

An overview of our capital expenditure performance for the 2017-22 and 2022-27 regulatory periods is provided in Chapter 4 Capital Expenditure. Figure 3 shows the expected total capital expenditure for these periods compared to the forecast capital expenditure in the 2027-32 regulatory period by expenditure category.

Figure 3 - Comparison of total capital expenditure by category ($million real, 2026/27)



Our total capital expenditure forecast for the 2027-32 regulatory period is $2,499.5 million**.** This is $995.0 million (66%) more than the capital expenditure for the current 2022-27 regulatory period, and $1,391.4 million (126%) more than the capital expenditure for the 2017-22 regulatory period.

These increases are driven by increases across all the main categories of network and non-network capital expenditure.

Load Driven Capital Expenditure

We forecast load-driven capital expenditure of $300.9 million for the 2027-32 regulatory period. Our forecast is predominantly driven by increases in easements investment compared to both the 2017-22 and 2022-27 regulatory periods. This reflects a fundamental shift in the scale and complexity of future transmission development in Queensland, driven by changes to state and national policy, legislative frameworks, stakeholder delivery expectations and benefits and regulatory requirements.

Non-Load Driven Capital Expenditure

We forecast non-load driven capital expenditure of $1,939.3 million for the 2027-32 regulatory period. This is $1,025.4 million higher the 2017-22 regulatory period, and $708.8 million higher than the 2022-27 regulatory period. There are several factors driving this increasing trend over the last 10 years, with price escalation and increased volumes of transmission line refit and secondary systems replacements driving most of the increase. The additional capital expenditure also reflects the increased physical security obligations and need to invest in enhanced analysis tools in response to increasingly complex network operations.

Non-Network Capital Expenditure

We forecast non-network capital expenditure of $259.2 million for the 2027-32 regulatory period, which is $116.6 million higher than 2017-22 and $78.1 million higher than 2022-27. The largest component of the capital expenditure in our 2027-32 forecast is the need to redevelop our Virginia complex and the establishment of a new facility in Gladstone to support our regional presence in Central Queensland. There has been a reduction in Business IT due to the increasing adoption of cloud-based services, which is treated as operating expenditure.

3.2.3 Feedback from consumers

Customer engagement has been fundamental to the development of forecast capital expenditure for the 2027-32 regulatory period. Details of our approach to engaging with customers are described in Chapter 3 Customer Engagement, Appendix 3.03 Engagement Approach and Outcomes and Chapter 4 Capital Expenditure.

In the development of our Revenue Proposal, we undertook engagement activities with customers and stakeholders including our Customer Panel and the RPRG. The RPRG met 11 times in 2025 to inform the development of our Revenue Proposal, with six expenditure forecasts presented for consideration. We also gained insights and input from our customers through engagement at our Transmission Network Forums, the Queensland Household Energy Survey, and a commercial and industrial load customer survey.

Engagement with our customers and stakeholders has allowed us to produce capital expenditure forecasts that appropriately balance the risks and concerns of consumers and our network while maintaining affordability.

3.2.4 Relative prices of capital and operating inputs and substitution possibilities between capital and operating expenditure

Our response to this item is included in our assessment against the operating expenditure factors, refer Section 2.2.4.

3.2.5 Consistency with incentive schemes or other schemes

The Capital Expenditure Sharing Scheme (CESS), Service Target Performance Incentive Scheme (STPIS) and Demand Management Innovation Allowance Mechanism (DMIAM) are relevant to our capital expenditure forecasts.

Capital Expenditure Sharing Scheme

The effectiveness of the CESS is dependent on the forecast capital expenditure being efficient, or that it reasonably reflects the capital expenditure criteria. As described above, we consider that the forecast capital expenditure reasonably reflects the capital expenditure criteria. As noted in its Framework and Approach Paper for Powerlink, the AER proposes to apply the CESS to Powerlink in the 2027-32 regulatory period. Ou approach to CESS is explained in Section 13.4 of our Revenue Proposal.

Service Target Performance Incentive Scheme

The forecast capital expenditure does not include any expenditure specifically to improve network performance under the STPIS.

Demand Management Innovation Allowance Mechanism

As stated in Section 2.2.5, following engagement with our RPRG on this matter, Powerlink is not seeking a DMIAM allowance for the 2027-32 regulatory period.

3.2.6 Expenditure reflects arm's length terms

Any part of our forecast capital expenditure that references arrangements with other parties reflects arm's length terms.

3.2.7 Contingent projects

The forecast capital expenditure in our Revenue Proposal is based on a single, most likely scenario of demand growth and energy market development, being the Central Scenario from Powerlink's 2025 Transmission Annual Planning Report (TAPR)[10]. We have proposed nine contingent projects that may be needed during the regulatory period should certain trigger events occur beyond the predicted demand growth and energy market development scenario.

Our proposed contingent projects are described in more detail in Section 4.5 of the Revenue Proposal and in Appendix 4.04. The forecast capital expenditure in our Revenue Proposal does not include any proposed contingent capital expenditure, either in whole or in part, as required by clause 6A.8.1(b)(2)(i) of the Rules.

3.2.8 Most recent Integrated System Plan

As discussed in Section 4.8 of our Revenue Proposal, we have had regard to the 2024 ISP and draft 2026 ISP in the development of our Revenue Proposal. Whilst these reports do not present any factors that have directly impacted our capital expenditure forecast, we have considered the potential implications of preparatory works related to ISP projects should those projects not proceed.

AEMO's 2024 ISP declared the QNI Connect project as actionable, requiring Powerlink and Transgrid to start the RIT-T assessment and publish a PADR by 25 June 2026. Two other Queensland projects will proceed under the new PTI framework instead of being immediately actionable.

3.2.9 Non-network alternatives

Our approach to considering non-network alternatives is described in Section 4.6 of our Revenue Proposal. In preparing the capital expenditure forecasts for our Revenue Proposal, we have identified where there may be opportunities for non-network alternatives.

[10] 2025 Transmission Annual Planning Report, Powerlink, October 2025.

3.2.10 Regulatory Investment Test for Transmission (RIT-T)

Details of the PACRs that are relevant to forecast capital expenditure in the 2027-32 regulatory period are provided in Table 2 below.

Table 1 - Project Assessment Conclusion Reports related to network reinvestment projects ($million real, 2026/27)

Project Assessment Conclusions Report	PACR Publication Date	Project	2027-32 capital expenditure
Addressing the secondary systems condition risks at Tangkam	8 September 2023	CP.02153 Tangkam and Oakey Secondary System Replacement	0.2
Maintaining power transfer capability and reliability at Lilyvale	29 October 2019	CP.02340 H015 Lilyvale Selected Primary Plant	0.4
Maintaining reliability of supply at Townsville South substation[11]	5 March 2019	CP.02353 Townsville South Primary Plant Replacement	2.8
Maintaining reliability of supply in the Blackwater Area	10 October 2019	CP.02369 T032 Blackwater No 1 & 2 Transformer Replacement	0.1
Maintaining power transfer capability and reliability of supply at Redbank Plains	19 April 2023	CP.02649 Redbank Plains Transformer 1T and 2T Upgrade	0.1
	19 April 2023	CP.02755 T080 Redbank Plains Primary Plant Replacement	0.0
Addressing the secondary systems condition risks at Innisfail	2 March 2023	CP.02713 T050 Innisfail Secondary Systems Replacement	0.1
Addressing the secondary systems condition risks at Mt England	6 April 2020	CP.02726 H012 Mt England Secondary Systems Replacement	7.7
Addressing the secondary systems condition risks in the Gladstone South area	7 July 2020	CP.02727 T152 Gladstone South Secondary Systems Replacement	2.1
Addressing the secondary systems condition risks at QAL West	7 July 2020	CP.02728 T153 QAL West Secondary Systems Replacement	0.1
Maintaining power transfer capability and reliability of supply at Kemmis	7 February 2024	CP.02886 T067 Kemmis Transformer 1 Replacement	0.2
Maintaining reliability of supply at Kamerunga Substation[12]	17 July 2019	CP.02617 - Kamerunga Substation Rebuild	76.3
Expanding NSW-Queensland transmission transfer capacity (with Transgrid)	20 December 2019	CP.02718 – QNI – Upgrade Transfer Capacity	0.0
Maintaining reliability of supply in the Tarong and Chinchilla areas	26 July 2022	CP.02170 Chinchilla Primary & Secondary Systems Replacement	11.7
	26 July 2022	CP.02584 Tarong 275/66/11kV Transformers Replacement	2.0
TOTAL CAPITAL EXPENDITURE IN 2027-32 REGULATORY PERIOD			**128.2**

[11] The RIT-T is being reapplied due to a material change in circumstances since the original RIT-T was completed. A Project Specification Consultation Report was published on 18 December 2024 with the Project Assessment Draft Report expected to be published early in 2026.
[12] The RIT-T is being reapplied (as part of the Maintaining reliability of supply to Kamerunga, Cairns and northern beaches area) due to a material change in circumstances since the original RIT-T was completed. A Project Specification Consultation Report was published on 18 December 2024 with the Project Assessment Draft Report expected to be published early in 2026. The identified need has been expanded to include an assessment of the condition risks of the Woree to Kamerunga transmission line.

3.2.11 Other factors

At the time of submission of our Revenue Proposal in January 2026, the AER has not advised Powerlink of any additional capital expenditure factors.