January 2026

Powerlink 2027-32 Revenue Proposal

Property, Plant and Equipment Recognition

Property, Plant and Equipment

Purpose

The following sections describe Powerlink's approach to the recognition of assets expenditure in accordance with Australian Accounting Standards.

Overview

Powerlink constructs, owns and operates many fixed assets (Property, Plant and Equipment). There are several Australian Accounting Standards that impact upon the way Powerlink must value and report these items, including:

- Accounting Standard AASB 116, Property, Plant and Equipment, which discusses the accounting for acquiring, depreciating and revaluing assets;
- Accounting Standard AASB 136, Impairment of Assets, which discusses the application of the recoverable amounts test to non-current assets;
- Accounting Standard AASB138, Intangible Assets, which requires entities to recognise and measure intangible assets;
- Accounting Standard AASB 123, Borrowing Costs, which discusses when and how borrowing costs must be capitalised as part of the cost of fixed assets; and
- Accounting Standard AASB 16, Leased Assets.

Evident from the accounting standards above, are the requirements to:

- ensure that fixed assets are measured at fair value;
- ensure that costs of acquiring fixed assets are correctly accounted;
- ensure that the depreciation of fixed assets is properly reflected; and
- ensure that the values of fixed assets are properly updated through revaluation.

The delineation between capital expenditure and operating expenditure can be dependent upon the circumstances in which the expenditure is incurred.

In Powerlink, a threshold value must be exceeded to qualify as a fixed asset. The threshold value provides a balance between the material correctness of Powerlink's financial statements and the administrative costs of accounting for fixed assets.

Powerlink's fixed assets can operate over extended periods of time. As a result, the cost to acquire them at the time may be very different from their current value.

Powerlink's fixed assets are located across vast distances and must be monitored to ensure their ongoing security and integrity.

Fixed assets may be disposed of at the end of their useful life by sale, scrapping, retirement or failure.

Property, Plant and Equipment are categorised as regulated, negotiated, power system transformation and non-regulated in compliance with Powerlink's Cost Allocation Methodology. Those items which provide more than one category of service ("mixed" assets) shall be apportioned into sub-assets, each of which will be categorised as regulated, negotiated, power system transformation or non-regulated.

Recognition

Powerlink has considerable capital expenditure that it incurs in acquiring and constructing various assets. Powerlink also has considerable operating expenditure that it incurs in maintaining its assets. The delineation between capital expenditure and operating expenditure can be dependent upon the circumstances in which the expenditure is incurred.

Australian Accounting Standards state that an asset shall be recognised if it satisfies the following criteria:

- it is probable that the future economic benefits embodied in the asset will eventuate;
- the entity has control over such future economic benefits;
- the transaction or event enabling the entity to control the future economic benefit has occurred; and
- the cost or other value of the asset is capable of being measured reliably.

Some expenditure of a capital nature is not sufficiently material to warrant the overhead of maintaining the necessary information. However, details of such items that are susceptible to loss or theft should be recorded to provide an appropriate level of security over them.

Capital expenditure on assets that are being constructed is recognised as Work In Progress (WIP) until the constructed asset is put into service. The value of the asset put into service shall be transferred from WIP to Property, Plant and Equipment as soon as practicable after the asset has been put into service.