

Issues paper

Powerlink electricity transmission determination
2027–32

(1 July 2027 to 30 June 2032)

March 2026

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Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: aer inquiry@aer.gov.au
Tel: 1300 585 165

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Contents

1	Introduction	1
1.1	Our process	2
1.2	Have your say	2
2	Powerlink’s operating environment	4
2.1	Developments in Queensland	4
2.2	Increased complexity of the operating environment.....	4
2.3	Queensland Energy Roadmap	5
3	Initial observations	8
3.1	Key drivers of proposed revenue.....	8
3.2	What would this mean for electricity bills?	10
3.3	Preliminary issues	11
4	Consumer engagement.....	14
5	Key elements of the revenue proposal	16
5.1	Regulatory asset base and depreciation	16
5.2	Rate of return on capital and inflation	20
5.3	Capital expenditure	21
5.4	Operating expenditure.....	28
5.5	Corporate income tax.....	33
5.6	Uncertainty mechanisms	33
6	Incentive schemes and allowances to apply for 2027–32.....	38
6.1	Efficiency benefit sharing scheme (EBSS)	38
6.2	Capital expenditure sharing scheme (CESS)	39
6.3	Service target performance incentive scheme (STPIS)	39
6.4	Demand management innovation allowance mechanism (DMIAM).....	40
7	Pricing methodology and negotiating framework.....	42
	Summary of questions.....	44
	Shortened forms.....	46

1 Introduction

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

We regulate electricity networks in all jurisdictions except Western Australia. The regulatory framework governing electricity transmission and distribution networks is the National Electricity Law and Rules (NEL and NER). Our work in this sector is guided by the National Electricity Objective (NEO) which promotes efficient investment in, and operation and use of, electricity services in the long-term interests of consumers.¹

Our primary role is in setting the maximum allowed revenue that networks are allowed to recover from consumers through their network charges (this is known as the 'revenue cap' form of control). In setting the revenue cap, we assess what costs are efficient, if future demand expectations are realistic and cost inputs. By approving only prudent and efficient costs, we ensure that consumers pay no more than necessary for the safe and reliable delivery of electricity. A regulated network service provider is required to periodically submit a proposal to seek approval for the maximum allowed revenue.

Powerlink Queensland (ABN 82 078 849 233) (Powerlink) is a regulated transmission network service provider. On 30 January 2026, Powerlink submitted its electricity transmission revenue proposal for the regulatory control period from 1 July 2027 to 31 June 2032 (2027–32 period). Our final decision will determine the total revenue Powerlink can recover from consumers over the 5-year period which makes up a large component of Powerlink's transmission network charges.

This issues paper highlights some of the key elements of the proposal, and identifies issues that, on preliminary review, are likely to be the focus of our assessment² and require in-depth review. We have set out a number of questions throughout this paper. You can find a summary of these questions on page 44 of this paper. Stakeholders can assist our process by providing their views on these questions or any other aspect of the proposal.

In framing this discussion, we refer to our [Better Resets Handbook](#) which encourages networks to develop high quality proposals through genuine engagement with consumers. The Handbook sets out a number of expectations including how a network business engages with consumers and our expectations (consistent with the NER framework) in topic areas such as the capital and operating expenditure and regulatory depreciation, which are key building blocks in determining the maximum allowed revenue.

In assessing this proposal, we will consider how the proposal has been driven by, and reflects, the preferences and priorities raised by stakeholders through Powerlink's engagement process. While stakeholder engagement is an important factor in our assessment, we are still required to ensure we are satisfied that the proposed revenues

¹ NEL, s. 7.

² As required under the National Electricity Rules (NER or Rules), cl. 6A.11.3(b1).

reasonably reflect prudent and efficient costs and a realistic expectation of future demand and cost inputs. Together, these considerations support a decision that will ensure Queensland consumers pay no more than necessary for safe, reliable and secure delivery of electricity services while supporting the reduction of greenhouse gas emissions.

1.1 Our process

This issues paper is the first stage in our consultation on Powerlink’s proposal. Submissions and views shared with us in this stage of consultation will help to inform our draft decision on this proposal in September 2026. Powerlink will have the opportunity to respond to our draft decision in a revised proposal. We will seek further submissions on both our draft decision and Powerlink’s revised proposal before making our final decision in April 2027.

An indicative timeline for this process is provided below.

Table 1 **Indicative timeline**

Milestone	(Indicative) Date
Powerlink submitted its regulatory proposal to AER	30 January 2026
AER to release Issues paper	27 March 2026
AER to hold a public forum on Powerlink’s proposal and issues paper	9 April 2026
Submissions due on regulatory proposal and issues paper	12 May 2026
AER to publish draft decision	(September 2026)
AER to hold a public forum on draft decision (predetermination conference)	(October 2026)
Powerlink to submit revised regulatory proposal to AER	(December 2026)
Submissions due on draft decision and revised proposal	(January 2027)
AER to publish final decision	(April 2027)

1.2 Have your say

Consumer engagement is a valuable input to our determination. We have set out a number of questions throughout this paper. Stakeholders can assist in our process by providing their views on these or any other aspects of the proposal.

When we receive stakeholder submissions that articulate consumer preferences around desired outcomes, that address issues in a revenue proposal, and provide evidence and analysis, our decision-making process is strengthened.

You can contribute to our assessment by:

- Making a **written submission** on the proposal by close of business, 12 May 2026.
- Joining us at an **online public forum** on 9 April 2026. Registration details are available on our website and through [Eventbrite](#).

Written submissions should be sent electronically to AERresets2027-32@aer.gov.au and addressed to Gavin Fox, General Manager. Alternatively, you can mail submissions to GPO Box 3131, Canberra ACT 2601.

We ask that all submissions sent in an electronic format are in Microsoft Word or other text readable document form.

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. We will treat submissions as public documents unless otherwise requested. All non-confidential submissions will be placed on the AER's website.

We request parties wishing to submit confidential information:

- clearly identify the information that is the subject of the confidentiality claim.
- provide a non-confidential version of the submission in a form suitable for publication.

For further information regarding the AER's use and disclosure of information provided to it, see the [ACCC/AER Information Policy](#).

2 Powerlink’s operating environment

2.1 Developments in Queensland

The Queensland transmission system is undergoing significant changes to support the state’s energy transition. These changes are driven by national and state network planning by the Australian Energy Market Operator (AEMO) and its Integrated System Plan (the ISP), and by the Queensland Government and its Queensland Energy Roadmap (Energy Roadmap).³

AEMO’s Draft 2026 ISP⁴ provides a long-term plan for the National Electricity Market (NEM) power system through setting out the required network investment, generation and storage to transition to net zero by 2050. The Energy Roadmap provides a 5-year plan for Queensland’s energy system focusing on three core objectives: affordability, reliability and sustainability while balancing the long-term energy transition goal to net zero by 2050.

These plans include significant augmentation projects to facilitate the connection of renewable energy generation and to provide system stability and resilience that are currently underway or under planning. These include Copperstring, the Gladstone Project and the Queensland – New South Wales Interconnector (QNI Connect) project. Projects developed through the ISP and Energy Roadmap framework are separate to Powerlink’s revenue proposal but may result in costs being recovered through energy consumers.

The energy transition also affects Powerlink’s operating environment, introducing new challenges for Powerlink to manage. Powerlink submits that the complexity of operating its network has increased, with key drivers of complexity including the requirement to meet new regulatory obligations, managing an increasing volatile energy demand and the shift towards distributed generation and rooftop solar. These challenges, along with external climate, cost factors and cyber threats presents challenges for maintaining the safety and reliability of the network through prudent and efficient investments. The sections below outline the key trends in Queensland and how they relate to Powerlink’s proposal.

2.2 Increased complexity of the operating environment

Powerlink submits that its operating environment has become more complex due to two key factors: system complexity and deliverability.⁵ System complexity includes changes in network demand and connectivity as well as increased cyber threats. Deliverability includes factors that impact the cost and timeframe of projects, for example supply chain constraints, workforce capacity and capability and social licence.

2.2.1 Changing demand and supply patterns

Electricity consumption across Queensland and the NEM is forecast to continue to rise with increasing electrification at both the residential and industrial level increasing maximum

³ Queensland Treasury, *Queensland Energy Roadmap 2025*, October 2025.

⁴ AEMO, *Draft 2026 ISP*, December 2025.

⁵ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 12.

demand on the network. Powerlink’s revenue proposal notes the operating envelope, the difference between maximum and minimum demand, of Queensland’s energy system has increased by 60% from 4,834MW in 2018 to 7,735MW in 2025.⁶ On the other hand, Queensland continues to see a substantial uptake in rooftop solar allowing household energy demand during daylight hours to be met, resulting in a lower minimum demand on the network. Powerlink notes that the respective increase and decrease in maximum and minimum demand is compounded by greater variability and less predictability in demand.⁷

The increasing variability of demand presents challenges in the operation and planning of the network while maintaining a safe and reliable energy system. This is further complicated by the increase in technologies such as batteries and inverters-based resources. Powerlink is responsible for implementing a mix of network and non-network solutions to meet this operational challenge. Powerlink’s proposal considers the implications of changes in demand and supply patterns, including initiatives to support system security such as synchronous condensers, energy management tools and improving operational forecasting capabilities.

2.2.2 Deliverability

Deliverability is a key challenge for network service providers as the NEM transitions to net zero by 2050. External market conditions and supply chain constraints impact project deliverability and, in the case of Powerlink, there are additional regulatory and legislative obligations to support the energy transition. Other factors that can have material impact on the cost and timing of projects include obtaining and maintaining social licence and workforce capacity and capability.

We note that Powerlink has assessed the deliverability of its proposed program of work,⁸ including projects that are outside the revenue determination process such as priority transmission investment projects, non-prescribed and non-regulated works.

2.3 Queensland Energy Roadmap

In October 2025, the Queensland Government released the Queensland Energy Roadmap (Energy Roadmap) that included three core objectives: affordability, reliability and sustainability while balancing the long-term energy transition goal to net zero by 2050.⁹ The Energy Roadmap is supported by the Queensland Energy (Infrastructure Facilitation) Act 2024 (Energy Act) which ‘facilitates and supports the efficient and coordinated augmentation of the national transmission grid in Queensland’¹⁰ and the Queensland Energy (Infrastructure Facilitation) Regulation 2024 (Energy Regulation). Powerlink submits that it has aligned its plan for future network investment needs with the Energy Roadmap, including through its capex forecast and proposed contingent projects.¹¹

⁶ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 15.

⁷ Powerlink, [2027-32 Revenue Proposal](#), January 2026, pp 15-16.

⁸ Powerlink, [2027-32 Revenue Proposal – Appendix 4.09 – Deliverability Assessment](#), January 2026.

⁹ Queensland Treasury, [Queensland Energy Roadmap 2025](#), October 2025.

¹⁰ [Queensland Energy \(Infrastructure Facilitation\) Act 2024 \(Energy Act\) Part 1](#), s 3.

¹¹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 7.

2.3.1 Gladstone Project and priority transmission investment framework

The Energy Roadmap identifies the Gladstone Project as a priority transmission investment required to support the connection of new generation and storage projects as part of Queensland's long term energy plan.¹² Under the priority transmission investment framework, our role is to provide advice when requested by Queensland's responsible ministers.

The AER's advice concerns:

- the modified Regulatory Investment Test for Transmission (RIT-T) cost benefit analysis that Powerlink undertakes to identify the priority transmission investment options that maximise net benefits; and
- the prudence and efficiency of Powerlink's proposed expenditure on priority transmission investments.

The Energy Act makes the responsible Queensland ministers the decision-maker that sets the financial caps that apply to priority transmission investments. If the responsible ministers decide to direct that a priority transmission investment be constructed, they must also issue directions to Powerlink that set the financial caps for the investment.¹³ This initiates a series of steps to update Powerlink's revenue determination under the National Electricity Rules to reflect the incremental cost of the priority transmission investment. The responsible ministers have the power and function to direct Powerlink to:

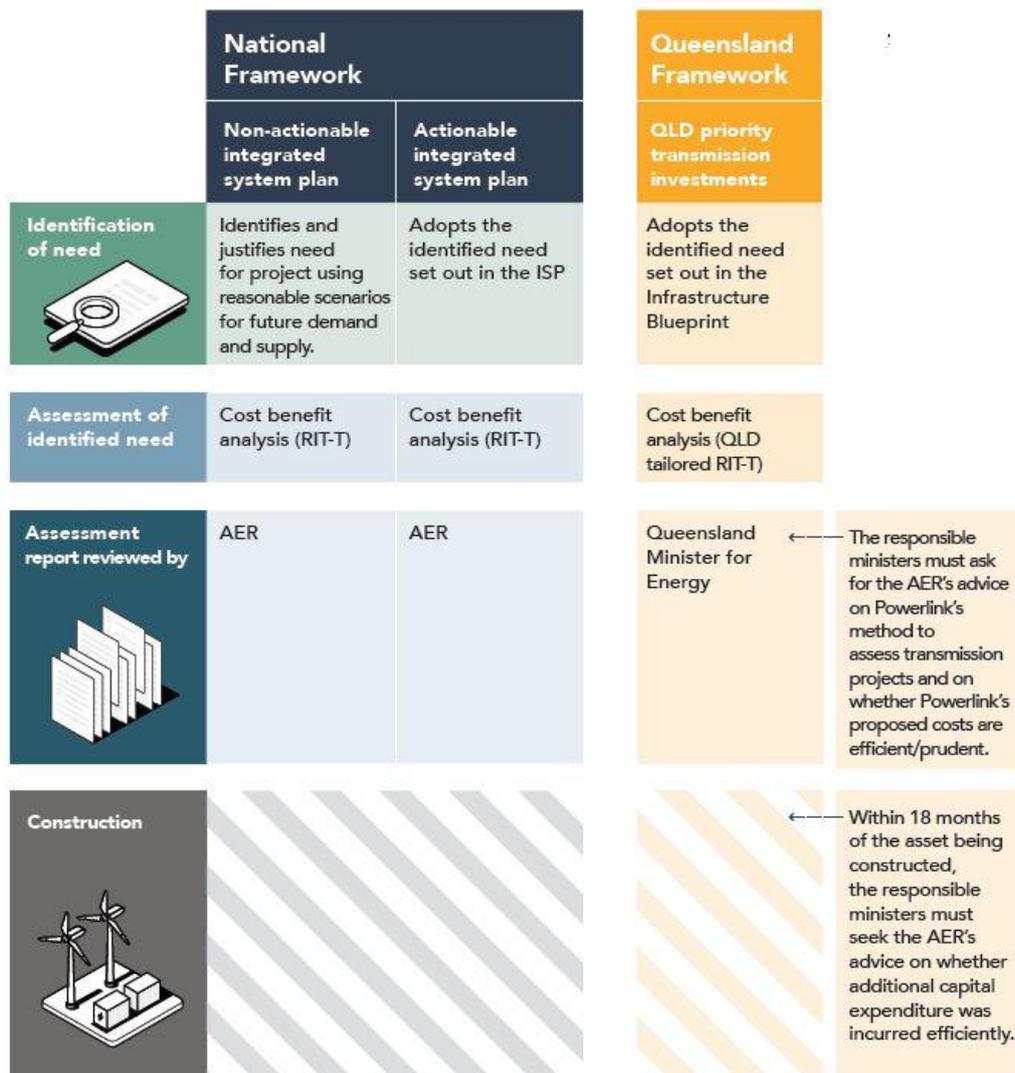
- apply to the AER to amend Powerlink's revenue determination to account for a priority transmission investment; or
- include particular amounts associated with a priority transmission investment in a revenue proposal; or
- apply to the AER to adjust the value of Powerlink's regulatory asset base by particular amounts to account for a priority transmission investment.

Figure 1 below sets out the national framework, the Queensland framework and the AER's role under both arrangements.

¹² Queensland Treasury, *Queensland Energy Roadmap 2025*, October 2025, p 43.

¹³ Energy (Infrastructure Facilitation) Regulation 2024, Part 4.

Figure 1 Queensland’s priority transmission investment framework



Given the Gladstone Project is progressing through the Energy Act’s priority transmission investment framework, project costs have not been included in Powerlink’s revenue proposal and will not be assessed for prudence and efficiency under the national framework. However, if the responsible Queensland ministers decide to direct the construction of the project, they must, at the same time, direct Powerlink to apply to the AER to amend or make a revenue determination to ensure that the Gladstone Project costs are accounted for in the revenue determination.¹⁴

Subject to a direction from the responsible ministers, the priority transmission investment framework provides for the AER to publish the amounts of the forecast capex and opex attributable to a priority transmission investment in the AER’s draft revenue determination decision. As such, subject to the forthcoming direction of the responsible Queensland ministers regarding the Gladstone Project, the AER expects to publish these costs in the September 2026 draft decision.

¹⁴ Energy (Infrastructure Facilitation) Regulation 2024, s15(2).

3 Initial observations

In the sections below we explore the key drivers of Powerlink’s proposed revenue for the 2027–32 period and the preliminary issues we consider are likely to be relevant to our assessment of the revenue proposal.

3.1 Key drivers of proposed revenue

Powerlink has proposed total revenue of \$5,710.2 million (\$nominal, smoothed) to be recovered from electricity transmission customers over the 2027–32 period. This is 45.0% higher than what we approved for the 2022–27 period.

We estimate that approximately 50.7% of the increase in revenue proposed for the 2027–32 period is driven by higher proposed capital expenditure (capex) and operating expenditure (opex), which we will assess for prudence and efficiency. The other 49.3% of the increase is due to updated forecast inflation and regulated rate of return, which are both higher compared to our previous determination.

To compare revenue from one regulatory period to the next on a like-for-like basis, we make an adjustment for the impact of inflation. To do this, we use ‘real’ values based on a common year (in this case, 2026–27) that have been adjusted to remove the impact of inflation.

In real terms, Powerlink’s proposal would allow it to recover \$5,269.9 million (\$2026–27, smoothed) from consumers over the 2027–32 period. This is \$816.1 million (18.3%) higher than our decision for the current period, as shown in Figure 2.

Figure 2 Changes in regulated revenue over time (\$ million, 2026–27)

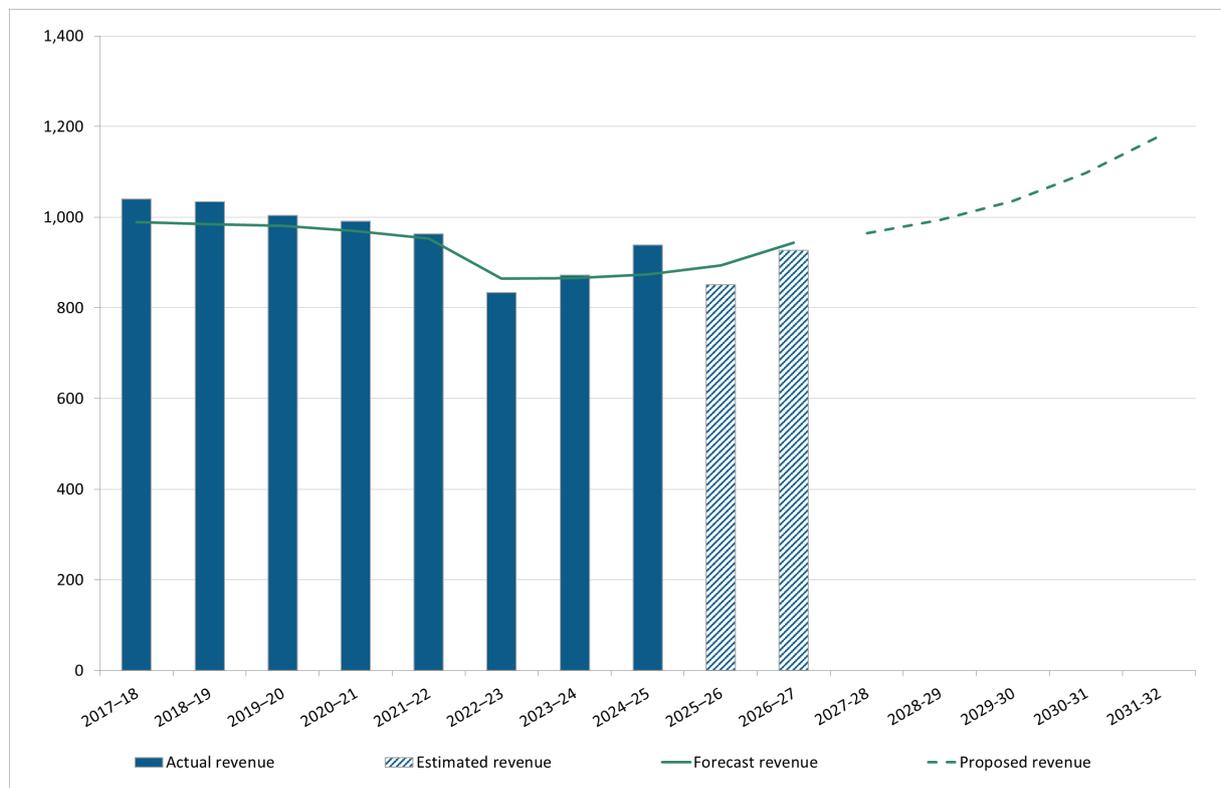
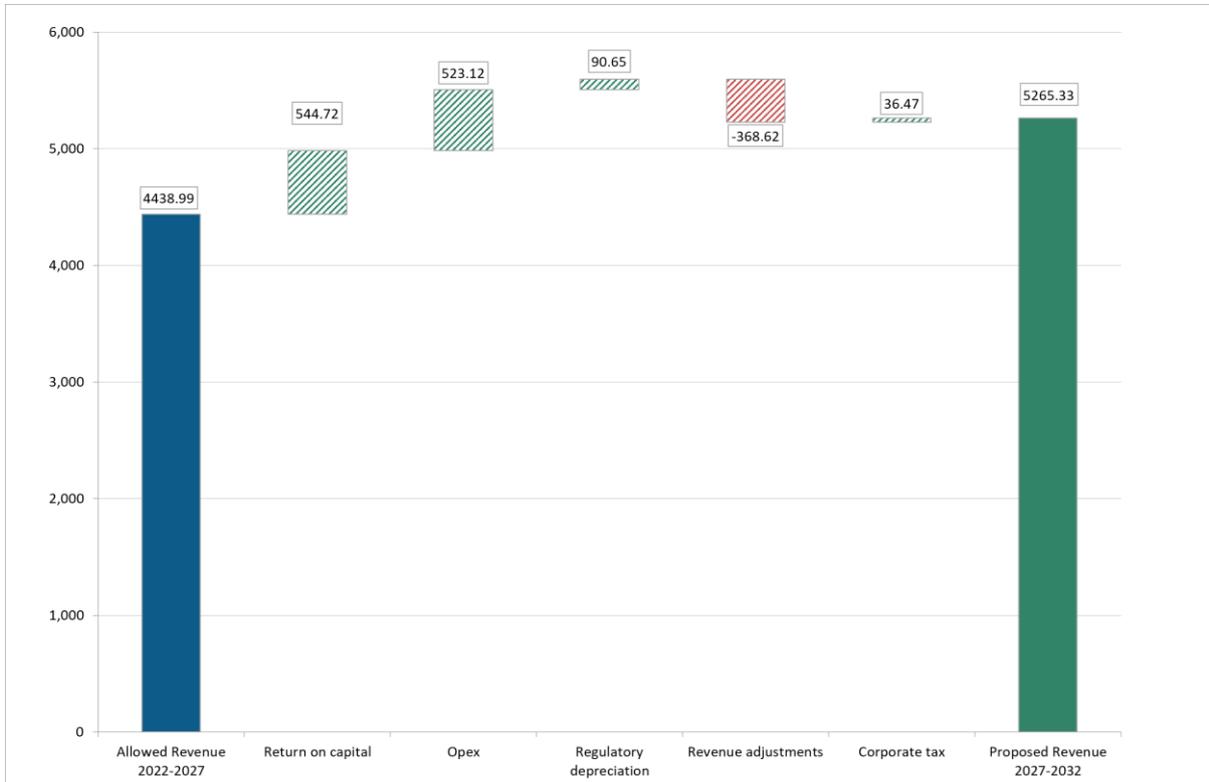


Figure 3 shows the broad changes in revenue at the ‘building block’ level to illustrate what is driving Powerlink’s proposed total revenue increase from 2022–27 to 2027–32.

Figure 3 Changes in revenue building blocks: 2022–27 to 2027–32 (\$ million, 2026–27)



The overall upward trend in revenue is primarily driven by a higher return on capital, opex and regulatory depreciation:

- The higher return on capital over the 2027–32 period is driven by Powerlink’s proposed:
 - opening regulatory asset base (RAB) as at 1 July 2027, which is higher than the amount we forecast at the 2022–27 determination. This is primarily caused by Powerlink’s higher actual capex over the 2022–27 period, compared to the forecast approved in the 2022–27 determination.
 - forecast capex for 2027–32 which is more than double the forecast included in our 2022–27 determination. This leads to significant growth in the forecast RAB over the 2027–32 period, leading to a higher return on capital amount.
 - regulated rate of return to be applied to the RAB over the 2027–32 period which is higher compared to the rate of return applied in the current period.
- The higher regulatory depreciation amount over the 2027–32 period is also a result of higher opening RAB and capex.
- Powerlink’s proposed forecast opex for the 2027–32 period is another key driver of higher proposed revenue. This is driven by rapidly increasing opex over the current period, primarily driven by increasing labour costs, resulting in Powerlink’s estimate of its 2025–26 base year opex being 26.0% above our allowance in that year. Powerlink also proposed 3 step changes totalling \$85.1 million, or 4.6% of its total forecast opex.

- This forecast increase in revenue is partially offset by efficiency benefit sharing scheme and capital expenditure sharing scheme penalties due, respectively, to its actual opex exceeding the AER’s revenue allowance over this period, and capex exceeding the forecast amount approved in the 2022–27 determination.

3.2 What would this mean for electricity bills?

For illustrative purposes, Powerlink’s proposal estimated the proposed revenue would result in network tariffs that are 4.9% higher (\$ nominal) per annum on average over the 2027–32 period compared to 2026–27 levels.

Powerlink’s proposal goes to the transmission component of the retail bill, and Powerlink will use its revenue allowance to calculate transmission charges each year in accordance with its approved pricing methodology. Powerlink’s proposal stated that its transmission charge typically accounts for around 6.5% of residential and small business customers’ electricity bills.

For illustrative purposes, Powerlink’s proposal estimated¹⁵ the impact of its proposed revenue on the average transmission network component of annual electricity bills over the 2027–32 period would be:

- \$8 (0.4%) higher (\$ p.a. nominal) on average than 2026–27 for residential customers (4,600 kWh).
- \$16 (0.4%) higher (\$ p.a. nominal) on average than 2026–27 for small business customers (10,000 kWh).

The increase in forecast capex by Powerlink is a key long-term driver of consumer bills. Like other regulated businesses, Powerlink will earn a regulated rate of return on the value of the assets invested in this regulatory period over the next 40 to 50 years – depending on the life of the asset. Powerlink also recovers the asset’s value over time through regulated depreciation. It is therefore important that Powerlink’s proposal reflects the most efficient and prudent approach to maintaining the safety and reliability of the network.

Moreover, these bill impact estimates are sensitive to the forecast energy that will be delivered through Powerlink’s network over the 2027–32 period. This means that the risk of lower or higher tariffs as a result of actual demand is ultimately borne by consumers. Growth in demand depends on factors such as economic and population growth, the pace of electrification and even the weather.

Powerlink’s estimated bill impacts above do not include potential price impacts of projects subject to regulatory mechanisms outside of the 2027–32 revenue determination process. These projects include the contingent project application related to the provision of system strength services and the Gladstone Project that is subject to the priority transmission investment framework under Queensland legislation. While these projects are not included in Powerlink’s revenue proposal, they may impact transmission prices in the 2027–32 period if relevant decision-makers approve the recovery of the associated costs within that period. Consequently, Powerlink has modelled indicative bill impacts and included this as supporting

¹⁵ Powerlink, [2027-32 - Reset RIN - Workbook 5 - Indicative bill impact](#), January 2026.

information in the revenue proposal.¹⁶ For instance, Powerlink estimates that the first-year price impact of these two additional projects would result in an \$8 increase in bills for residential customers and \$15 for small business customers. But the impact of these two projects grows over time and by year five, the projected price impact of the two projects is a \$51 increase to the annual bill for residential customers and \$100 increase for small business customers (that is, above that attributed to the base revenue determination).¹⁷

3.3 Preliminary issues

The discussion below presents the key preliminary issues emerging from our top-down review of Powerlink’s revenue proposal. These issues are based on our initial review of the proposal, and our views may change over time.

We encourage stakeholder views on these key issues, as well as on the more detailed discussion of aspects of Powerlink’s proposal in Section 5 – Key elements of the revenue proposal.

3.3.1 Prudent and efficient replacement expenditure

A key driver of the increase of Powerlink’s proposed capital expenditure (capex) is the forecast replacement program which is \$585.4 million (\$2026–27) more than the current period actual/forecast expenditure and constitutes 67.0% of total forecast capex.¹⁸

A large component of the proposed replacement program includes a transmission line refit and the renewal of digital secondary systems and telecommunications assets. Powerlink submits that the asset replacement strategy for overhead transmission lines is based on Powerlink’s ‘Asset Reinvestment Review’ which concluded in June 2023, providing a more targeted replacement program.¹⁹

Powerlink notes that the renewal of digital secondary systems and telecommunication assets is driven by rapid changes in related technology leading to discontinued devices and limited vendor support for outdated technology. In its proposal, Powerlink contends that in the event of failure for unsupported devices, the return to service time increases with limited spares to effectively replace faulty devices.²⁰

Our assessment of this program of work will focus on the prudence and efficiency of the forecast expenditure, including consideration of the underlying assumptions and drivers for the forecast costs and the reasonableness of the options considered.

Questions on our preliminary issues

- 1) What are your views regarding Powerlink’s justification for its proposed increase in replacement expenditure?

¹⁶ Powerlink, [2027-32 Revenue Proposal – Appendix 10.01 Price Impact Scenarios](#), January 2026, pp 5-6.

¹⁷ Powerlink, [2027-32 Revenue Proposal – Appendix 10.01 Price Impact Scenarios](#), January 2026, p 6.

¹⁸ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 52.

¹⁹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 53.

²⁰ Powerlink, [2027-32 Revenue Proposal](#), January 2026, pp 53-54.

2) In your view, has Powerlink considered all avenues to ensure its replacement capital program is prudent and deliverable?

3.3.2 Current period capex and ex-post review

The AER may undertake an ex-post review where past incurred capex during a defined period – in this case, the 2020–25 period – exceeds the AER’s capex allowance. In an ex-post review, the AER assesses capex over the allowance and excludes expenditure that is not prudent and efficient from the RAB. Powerlink submits that it exceeded its capex allowance in the ex-post review period by 6.3%. It states that it does not consider this a significant overspend within the context of the operating environment, pointing to increased global demand for materials, equipment and specialist labour driven by global events.²¹

We will examine the magnitude of and justification for this overspend. We will then determine if an ex-post review is required and, if so, undertake that review. This is described in more detail in Section 5.3.

3.3.3 Contingent projects

Powerlink has proposed 9 contingent projects driven by obligations under the Energy Roadmap and in response to possible future changes in demand. Powerlink submits that it does not expect all the proposed contingent projects to be triggered or approved in the 2027–32 period.

- 4 projects are related to addressing additional customer demand or reduction in generating capacity.
- 5 projects are identified in the Queensland Government’s Energy Roadmap.

Powerlink has also highlighted 2 projects that are associated with AEMO’s Integrated System Plans (ISP). QNI Connect is actionable in AEMO’s 2024 ISP, and Central Queensland to South Queensland Reinforcement has been identified in AEMO’s draft 2026 ISP. While Powerlink is not proposing these as contingent projects, it described them in the regulatory proposal to provide transparency on the possible overall pipeline of works to come.

We will consider the justification for these contingent projects and appropriateness of trigger events.

3.3.4 Efficient operating expenditure

Powerlink has forecast operating expenditure (opex) of \$1,832.2 million (\$2026–27). This is 41.7% higher than the total opex we approved in the current regulatory period, in real terms.

The increase in forecast opex is primarily driven by Powerlink’s selection of 2025–26 as the base year of its forecast, which is 26.0% higher than our allowance for that year. Powerlink submits that the increase in its base year opex is driven by increasing labour costs, and changes to its operating environment as it supports the energy transition while meeting new regulatory obligations. Our assessment of Powerlink’s base year will focus on the factors driving Powerlink’s cost increases over the current period and its step changes. We will also

²¹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 39 and p 9.

consider the implications this may have for Powerlink’s selection of the 2025–26 base year and its efficiency.

Powerlink also proposed 3 step changes totalling \$85.1 million, representing 4.6% of total forecast opex.²² Given the materiality of the step changes, individually and collectively, we propose to also prioritise assessment of these step changes.

²² Powerlink, [2027-32 Revenue Proposal - Operating Expenditure Model](#), January 2026; Powerlink, [2027-32 Revenue Proposal](#), January 2026, pp 81-83.

4 Consumer engagement

High quality stakeholder engagement supports the development of proposals that will deliver services and outcomes that reflect the needs of consumers. Proposals that genuinely reflect consumer preferences, and which also meet our expectations for capex, opex and depreciation, are more likely to be largely or wholly accepted at the draft decision stage, creating a more effective and efficient process for all stakeholders.

Our framework for considering stakeholder engagement in network revenue determinations is set out in the [Better Resets Handbook](#). Our expectations are principle based and focused on providing networks with broad guidance on conducting successful engagement. This includes guidance regarding how networks should engage with consumers. We expect networks to tailor their engagement to best suit the needs and circumstances of their consumers.

We expect networks to have clearly shown how their revenue proposal reflects the preferred outcomes of their consumers. In Powerlink’s case, as a transmission business, we accept that engagement is with a range of stakeholders including generation and distribution businesses, infrastructure delivery businesses, large energy users, other stakeholders affected by its decisions such as landholders and residential customers.

We also need to satisfy ourselves that a revenue proposal addresses the preferences of consumers in a manner that is prudent and efficient and that the programs for which Powerlink is seeking to recover costs can be delivered in the timeframes proposed. Together, these considerations will ensure Powerlink’s customers are paying no more than necessary for safe, reliable and secure delivery of transmission services.

In preparing its revenue proposal, Powerlink facilitated deep dives and workshops with its Revenue Proposal Reference Group, Customer Panel and other relevant stakeholders. These workshops and deep dives were attended by Powerlink Executives and covered a range of topics including opex, capex, network resilience, incentive schemes, project deliverability and contingent projects. Powerlink also published a draft proposal in September 2025 and sought feedback from stakeholders.²³ Other key engagement initiatives include a dedicated engagement program for commercial and industrial load customers, the Queensland Household Energy Survey and the Central Queensland Transmission Network Forum held in Gladstone that sought to broaden Powerlink’s engagement with regionally based stakeholders.

Powerlink notes that stakeholder engagement found its customers place the most value in affordability, price predictability and reliable and resilient energy.²⁴

The engagement with stakeholders has been thorough and diverse, and Powerlink’s Revenue Proposal Reference Group has had significant input into the development of the

²³ Powerlink, [2027–32 Revenue Proposal \(Draft\)](#), September 2025.

²⁴ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 5.

proposal, including via its submission in response to the draft proposal.²⁵ Powerlink’s revenue proposal has minimal and well justified confidentiality claims, which we consider is important for supporting transparency and stakeholder engagement.

We have engaged the Consumer Challenge Panel, sub panel 34 to provide advice on whether the long-term interests of consumers are being appropriately considered in the revenue proposal; and to provide an assessment of Powerlink’s consumer engagement, including the extent to which the proposal incorporates stakeholder feedback.

For our draft decision, we will also consider submissions from stakeholders, including from Powerlink’s Revenue Proposal Reference Group, regarding the effectiveness on Powerlink’s engagement and any outstanding issues that stakeholders would like the AER to investigate.

We note Powerlink intends to continue to engage with stakeholders to help shape the revised proposal, due in December 2026.²⁶

Throughout this paper we have asked questions about Powerlink’s engagement on, and consumer and stakeholder support for, particular aspects of its proposal – particularly Powerlink’s capex program, and the overall bill impacts. We would value consumer and stakeholder perspectives on the questions below.

Questions on consumer engagement

- 3) Do you consider Powerlink’s revenue proposal reflects the outcomes consumers want at a reasonable cost? Why?
- 4) How effective has Powerlink’s engagement been on the key areas of its revenue proposal, including its capital expenditure program?
- 5) Where do you consider consumer preferences are most evident in Powerlink’s proposal?

²⁵ Revenue Proposal Reference Group, [Submission on Powerlink 2027–32 Draft Revenue Proposal](#), October 2025

²⁶ Powerlink, [Powerlink 2027-32 Revenue Proposal](#), January 2026, p 38.

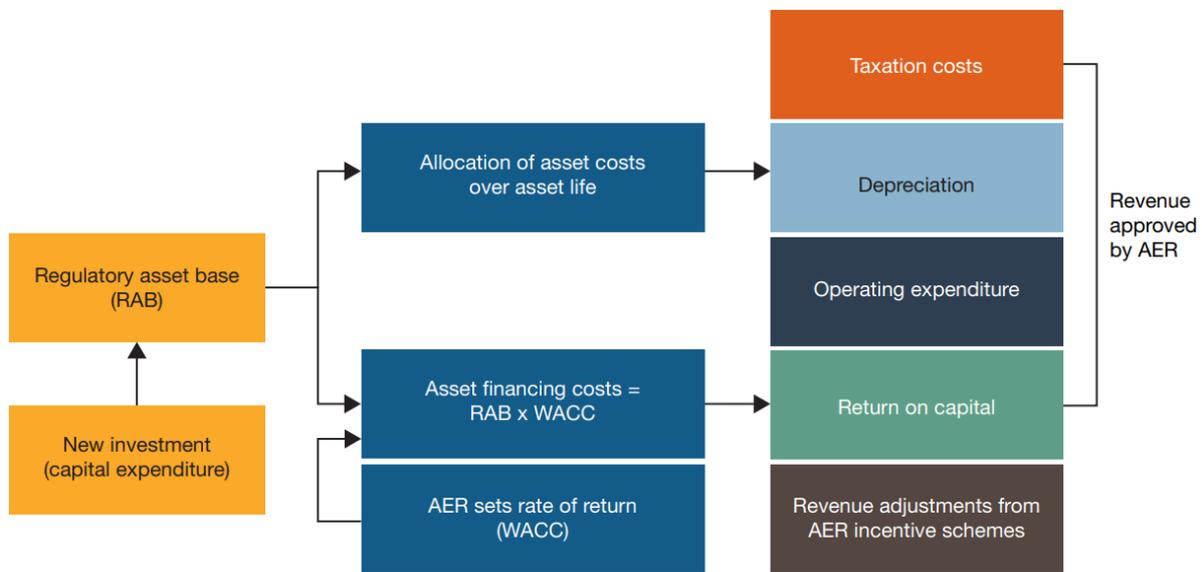
5 Key elements of the revenue proposal

Powerlink’s revenue proposal, and our assessment of it under the Law and Rules, are based on a ‘building block’ approach which looks at 5 cost components (see Figure 4):

- return on the regulatory asset base (RAB) – or return on capital, to compensate investors for the opportunity cost of funds invested in this business
- depreciation of the RAB – or return of capital, to return the initial investment to investors over time
- forecast opex – the operating, maintenance and other non-capital expenses, incurred in the provision of network services
- revenue increments/decrements – resulting from the application of incentive schemes, such as the efficiency benefit sharing scheme (EBSS) for opex, capital expenditure sharing scheme (CESS) for capex and demand management innovation allowance mechanism (DMIAM) for research and development in demand management projects.
- estimated cost of corporate income tax.

This section provides a summary of each of these components of Powerlink’s proposal and our assessment of preliminary issues, if any. We include questions against each component to guide stakeholder feedback.

Figure 4 The building block model to forecast network revenue



Source: AER, *State of the Energy Market 2021*, June 2021, p. 134.

5.1 Regulatory asset base and depreciation

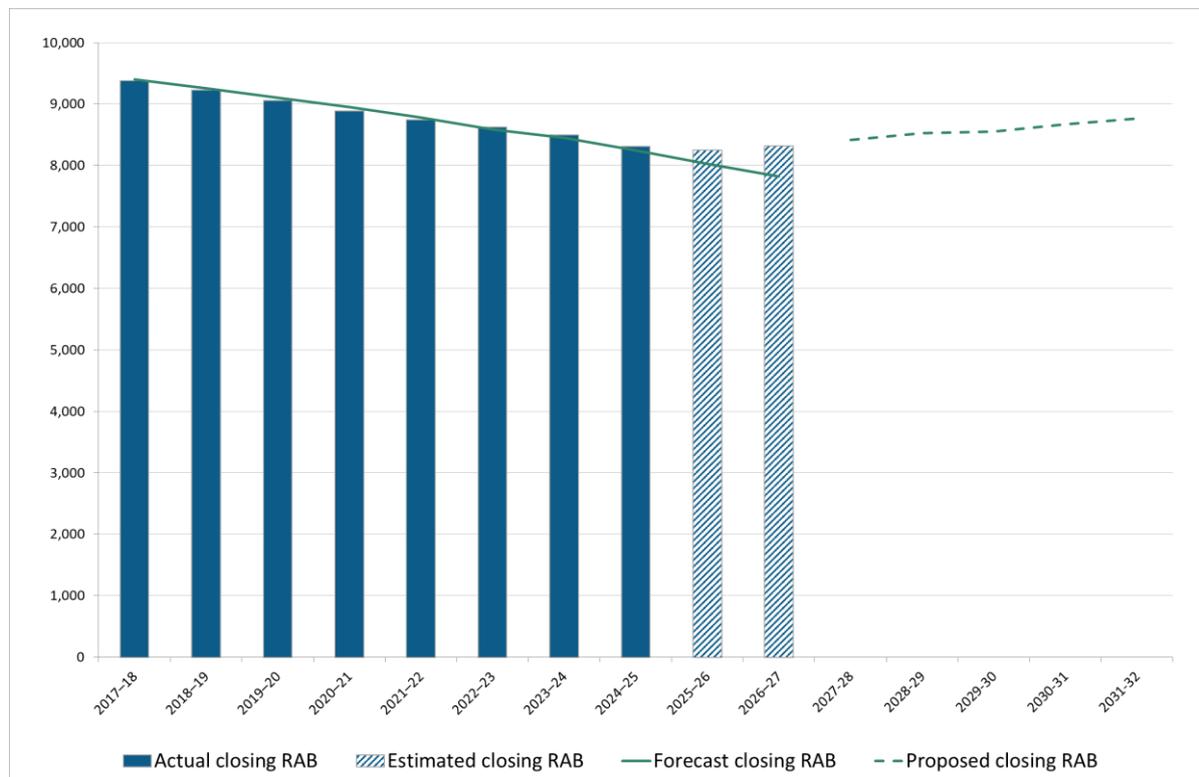
A regulated network business is entitled to recover its initial investment (regulated depreciation) and to earn a regulated return on its asset base (return on capital). Therefore, the RAB is the key component in determining maximum revenue that Powerlink is able to recover from customers. An increase in the RAB, all else equal, would increase the price

consumers pay over the long-term (typically 40–50 years) because a regulated business is entitled to a return over the life of its assets.

We expect the RAB to change over time, as capital is invested to address the condition of assets and technology constraints, to provide new connections and to maintain reliability and safety requirements.

Figure 5 shows the value of Powerlink’s RAB over time in real terms. While Powerlink’s RAB was primarily decreasing in real terms over 2017–27, it is forecast to increase over the 2027–32 period. We consider efficient investment in, and efficient operation of the transmission network are important to minimise the required capex and the RAB.

Figure 5 Closing RAB value over time (\$ million, 2026–27)



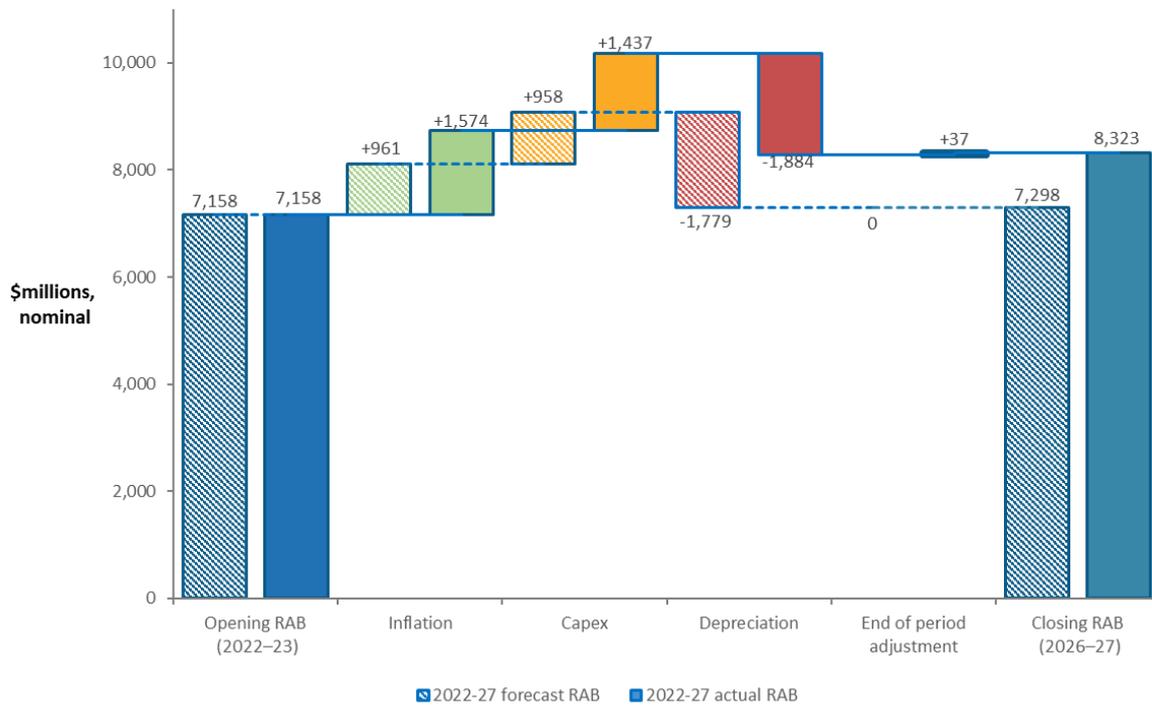
5.1.1 Estimated change in the RAB over the current period

It is important to assess how the RAB has changed over time to determine the opening value of the RAB for the first year of the next regulatory period (2027–28), and how it is expected to change in the future to the end of the next regulatory period (2031–32).

The opening RAB for 2027–28 depends on actual capex and inflation outcomes and depreciation. In nominal terms, Powerlink has reported a \$1,164.7 million (or 16.3%) increase in its RAB over the 2022–27 period. This is \$1,024.9 million (14.0%) higher than the forecast value at the time of our 2022–27 determination.

As shown in Figure 6, the key drivers for this increase are higher actual capex compared to the forecasts at the 2022–27 determination and higher inflation indexation on the RAB (due to actual inflation outcome being higher than the expected inflation at the 2022–27 determination).

Figure 6 Changes in the RAB over 2022–23 to 2026–27 (\$ million, nominal)



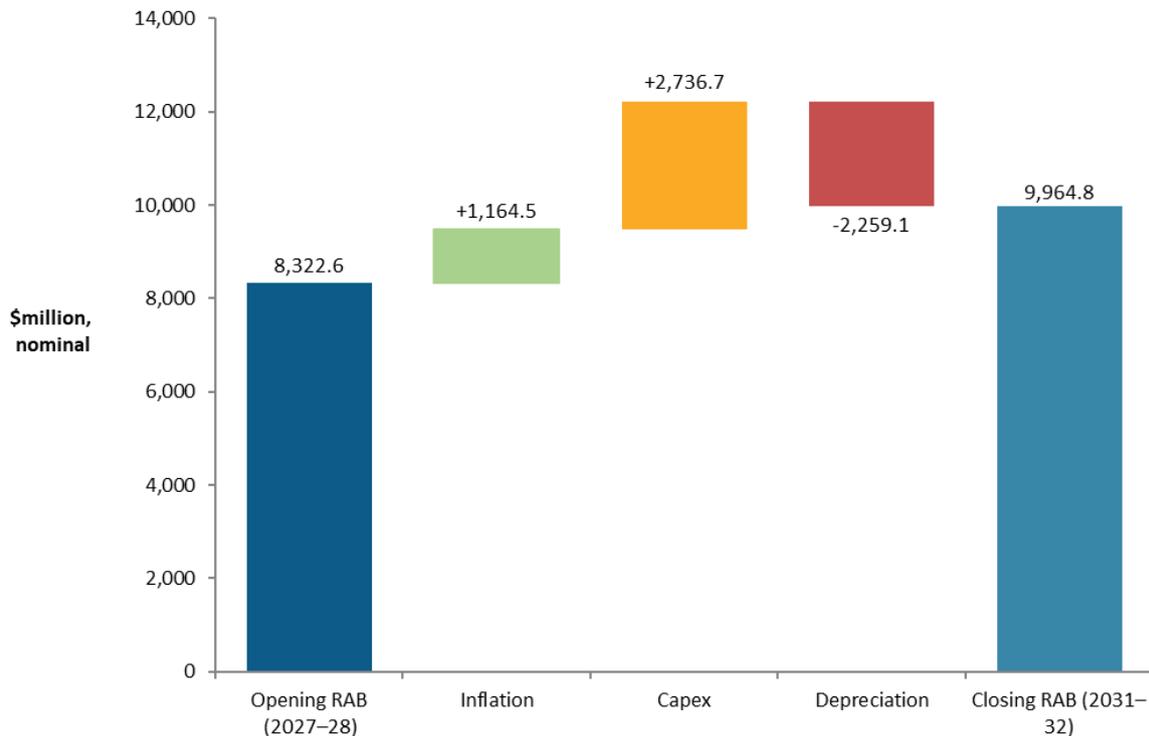
Source: AER analysis.

- Notes: a) This figure shows a comparison between the forecast closing RAB at the 2022–27 determination compared to the updated value reflecting actual/estimated capex and inflation outcomes for this period.
 b) The end of period adjustment mostly reflects the proposed roll-in of existing non-prescribed assets which will provide prescribed transmission services from 1 July 2027.

5.1.2 Forecast change in the RAB over the next period

As a starting value, Powerlink applies the higher estimated opening RAB for 2027–28 to forecast its RAB over the 2027–32 period. Figure 7 shows that Powerlink forecasts the RAB to increase by \$1,642.1 million (or 20%) over the 2027–32 period, driven by both forecast new capex and to a lesser extent the inflation indexation adjustment. Depreciation, which Powerlink recovers over the period, reduces the value of the RAB. Regulatory depreciation, inflation and capex are discussed in Sections 5.1.3, 5.2 and 5.1.3 respectively.

Figure 7 Key drivers of the forecast increase in the RAB over the 2027–32 period (\$ million, nominal)



Source: AER analysis.

5.1.3 Regulatory depreciation (return of capital)

Depreciation is the method used in our determinations to allocate the cost recovery of different types of network assets over their useful lives. It is the amount provided so capital investors recover their investment over the economic life of the asset (otherwise referred to as ‘return of capital’). When determining total revenue, we include an amount for the depreciation of the projected RAB. The regulatory depreciation amount is the net total of the straight-line depreciation less the indexation of the RAB.

Powerlink has proposed regulatory depreciation of \$1,094.5 million (\$nominal) for the 2027–32 period, which is \$276.7 million (33.8%) higher than the 2022–27 period. The higher regulatory depreciation is primarily driven by higher straight-line depreciation, which in turn is the result of a higher opening RAB at 1 July 2027 and higher forecast capex in the 2027–32 period.

Powerlink used our standard regulatory models and proposed to continue applying the year-by-year tracking approach in determining its forecast straight-line depreciation of existing assets. It has applied the same asset classes and standard asset lives from the 2022–27 determination.

We will assess Powerlink’s forecast capex program to ensure that the current asset lives remain appropriate for the nature of the new capex.

5.2 Rate of return on capital and inflation

The AER’s Rate of Return Instrument (RORI) sets out the approach we will use to estimate the return on debt, the return on equity and the overall rate of return.²⁷ As we are currently reviewing the 2022 RORI and expect to make a 2026 RORI in December 2026, we expect to apply the 2026 RORI in our final decision for Powerlink in April 2027.²⁸ Powerlink applied the 2022 RORI in its proposal and acknowledged that the 2026 RORI will apply in our final decision.²⁹

As noted in Section 5.1, the return each business is to receive on its RAB, known as the ‘return on capital’, is a key driver of proposed revenues. We calculate the regulated return on capital by applying a rate of return to the value of the RAB.

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

Powerlink’s proposal includes a higher estimate of the rate of return of 6.29% for the first year of the 2027–32 period, compared to 5.08% in our 2022–27 final decision. The increase in the rate of return is driven by the rise in interest rates since the last decision.

Powerlink’s proposal also includes a lower expected inflation estimate of 2.60% for the 2027–32 period compared to the 2.65% estimate applied in our 2022–27 final decision.

Combined, the estimates for a higher rate of return and lower expected inflation are accountable for 49% of the increase in revenue Powerlink has proposed relative to the current period.

At this stage, these values are placeholders only. It is important that they are updated throughout the determination process—in our draft decision, in the business’s revised proposal and, again, in our final decision—for the latest market data.

²⁷ AER, *Rate of Return Instrument (Version 1.2)*, March 2024.

²⁸ We have commenced a review on the 2026 RORI, updates are available through <https://www.aer.gov.au/industry/registers/resources/guidelines/rate-return-instrument-2026>

²⁹ Powerlink, *2027-32 Revenue Proposal*, January 2026, p 115.

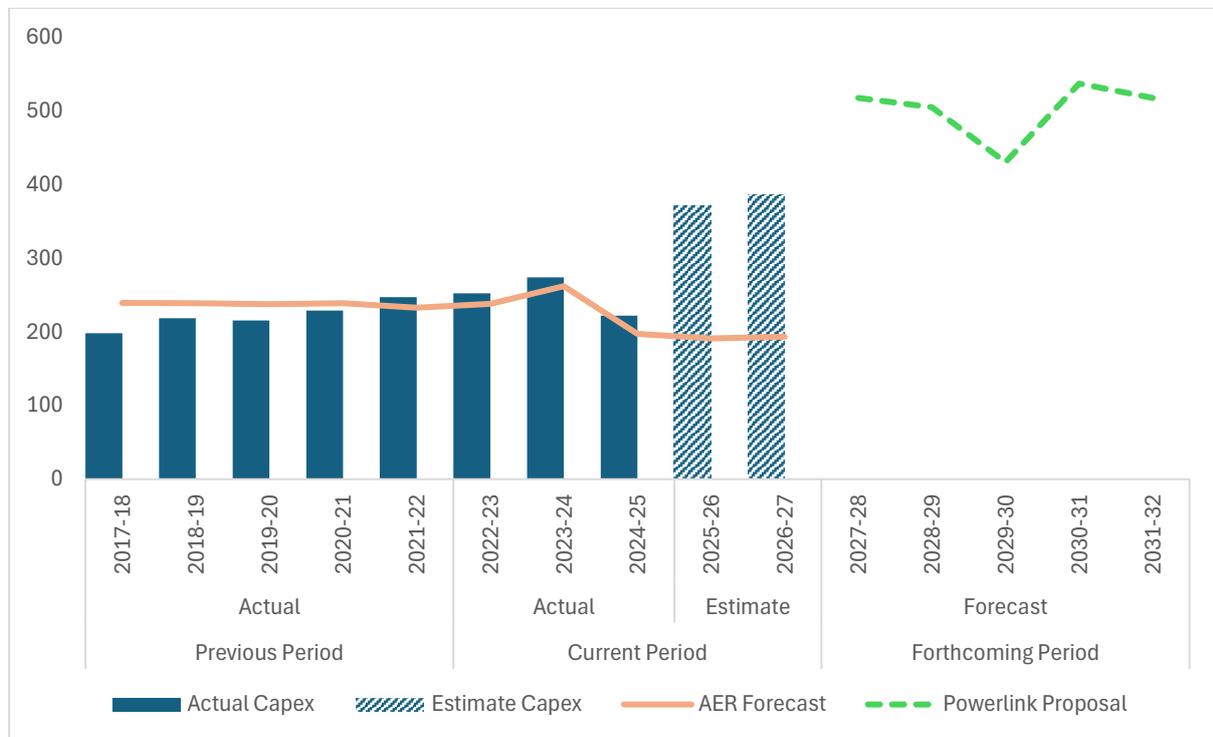
5.3 Capital expenditure

Capital expenditure (capex) refers to the capital costs and expenditure incurred to provide network services. Capex mostly relates to assets with long lives, the costs of which are recovered over several regulatory control periods. Capex is added to the RAB, which is used to determine the return on capital and return of capital (regulatory depreciation) building block allowances.

Powerlink has proposed total forecast capex of \$2,499.5 million (\$2026–27) for the 2027–32 period. As shown in Figure 8:

- this is \$1,418.5 million (131%) higher than the total forecast capex we approved (and used to set revenues) in our decision for the current, 2022–27 period
- it is \$995 million (66%) higher than Powerlink’s actual and estimated capex in the 2022–27 period.

Figure 8 Trend in Powerlink’s forecast and actual capex over time (\$ million, 2026–27)



Source: AER Analysis; Powerlink, *Capital Expenditure Model*, 31 January 2026.

Powerlink expects to overspend its capex in the 2022–27 period by \$423.5 million or 39% compared to our forecast.³⁰ As shown in Figure 8, the majority of the expected overspend is to occur in the last 2 years of the current period. Powerlink states that its capex was greater than expected due to:³¹

³⁰ AER analysis; Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 43.

³¹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, pp 43–44.

- a large variance in augmentation expenditure by increasing the ratings of existing transmission lines
- a focus on addressing the power transfer limits of existing infrastructure
- inflationary pressures and increased projects scopes
- increased cost of the Next Generation Network Operations which will replace the Energy Management System.

Ex-post review

The AER may undertake an ex-post review where capex incurred during a defined period – in this case, the 2020–25 period – exceeds the AER’s capex allowance. The ex-post review is an important part of the regulatory framework to protect consumers from paying for excessive investment in the network.

The AER’s Capital Expenditure Incentive guideline sets out the factors the AER considers in determining whether an ex-post review is required.³² If an ex-post review is required, the AER assesses capex over the allowance and excludes expenditure that is not prudent and efficient from the RAB.

For example, the AER undertook an ex-post review in 2024 as part of the Ergon Energy 2025–30 revenue determination. The AER made a 50% reduction (a reduction of \$598 million) to the amount of capital expenditure that could be included in Ergon Energy’s RAB.³³

Powerlink submits that it exceeded its capex allowance in the ex-post review period by 6.3%. It states that it does not consider this a significant overspend within the context of the operating environment.³⁴ Powerlink considers that its capex program experienced unprecedented increases in the cost of major plant items, material and skilled resources.³⁵

Powerlink, in preparing its revenue proposal, notified the AER of a reduction to actual regulated capital expenditure in 2022–23 to 2024–25 as a result of its review into historical cost allocations. Powerlink has consulted on the reallocation of expenditure with its Revenue Proposal Reference Group.³⁶ The AER is currently reviewing the reallocation of expenditure. In the event that the AER is not satisfied with the reallocation, there is potential for the magnitude of the overspend in the ex-post review period to be significantly higher.

³² AER, [Capital Expenditure Incentive Guideline for Electricity Network Service Providers](#), August 2025, pp 18–21.

³³ AER, [Final Decision – Ergon Energy Electricity Distribution Determination 2025 to 2030](#), April 2025, pp viii, 18–19.

³⁴ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 39.

³⁵ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 48.

³⁶ Powerlink, [Revenue Proposal Reference Group Meeting](#), October 2025, p. 6.

Questions on capex

- 6) Do stakeholders have comments on Powerlink’s expenditure over 2020–25 compared with its forecast capex allowance?

5.3.1 How we assess capex

The assessment techniques that we may adopt to assess Powerlink’s forecasts of total capex are outlined in our expenditure forecast assessment guideline. We assess forecast capex proposals through a combination of top-down and bottom-up assessments. In undertaking a bottom-up assessment, we undertake a project level assessment of the need for the expenditure and the efficiency of the proposed projects and related expenditure to meet any justified expenditure need. This is likely to include consideration of the timing, scope, scale and level of expenditure associated with proposed projects.

The *Better Resets Handbook* sets our expectations for capex forecasts.³⁷ In summary:

- all components of the total capex forecast should be well-justified and consistent with past spending for recurrent components
- the business should show evidence of prudent and efficient decision-making on key projects/programs
- the business should provide evidence that the proposal aligns with industry risk management standards
- the business should provide evidence of genuine consumer engagement.

Powerlink has proposed increases above current period spending across most capex categories, except augmentation and system service (see Table 2 below). Based on our preliminary assessment, Powerlink’s supporting business cases are complex in nature and cover a range of drivers (such as a reliability, security and expansion) that will require further assessment to satisfy ourselves that its forecast is guided by prudent and efficient decision making and risk management standards. If we are satisfied the service provider’s proposal reasonably reflects the capex criteria, we accept it. If we are not satisfied, the NER requires us to put in its place a substitute estimate which we are satisfied reasonably reflects the capex criteria considering the capex factors.³⁸

³⁷ AER, *Better Resets Handbook*, July 2024, p 19.

³⁸ NER, cl. 6A.6.7(c), 6A.6.7(d), 6A.6.7(d). 6A.14.1(2)(i). 6A.14.1(2)(ii).

5.3.2 Key drivers of Powerlink’s capex proposal

Table 2 sets out the composition of Powerlink’s capex proposal for the 2027–32 period and compares it to its forecast and actual expenditure in the current, 2022–27 period.

Table 2 Powerlink capex proposal (\$ million real, 2026–27)

Category	Powerlink’s 2022–27 actual/ estimate	Powerlink’s proposal	% change 2027–32 proposal vs 2022-27 actual/ estimate	% of net capex
Augmentation	59.6	5.8	-90.3%	0.2%
Connections	-	-	-	-
Easement	33.2	295.1	788.9%	11.8%
Total Load Driven Network	92.9	300.9	223.9%	12.0%
Replacement/re-investments	1,088.8	1,674.3	53.8%	67.0%
System service	16.1	-	-100.0%	-
Security/compliance	55.9	166.8	198.4%	6.7%
Other	69.7	98.3	41.0%	3.9%
Total non-load driven network	1,230.5	1,939.3	57.6%	77.6%
Total network	1,323.4	2,240.3	69.3%	89.6%
IT	97.7	27.4	-71.9%	1.1%
Support the Business	83.4	231.9	178.1%	9.3%
Total non-network	181.1	252.9	43.1%	10.4%
Net total	1,504.5	2,449.5	66.1%	

Source: AER analysis, Powerlink’s proposal.

There are material increases in most capex categories, with non-load driven capex being the main driver of the step up (57.6%) relative to the current period. Replacement expenditure (or re-investments) is the key driver of the forecast increase within non-load driven capex, and there is a material increase in easements in the forecast period relative to the current period.

We discuss Powerlink’s proposals for each capex category in the sections below, including its forecasting approach, the key drivers of proposed expenditure identified in its proposal, and likely areas of focus for our assessment.

Powerlink has also proposed 9 non-ISP contingent projects for the 2027–32 period. These are discussed later in Section 5.6.2.

5.3.3 Network non-load driven capital expenditure

Powerlink submits that this category is driven by the need to maintain, strengthen and secure the existing transmission network.³⁹

5.3.3.1 Replacement expenditure

Powerlink has proposed \$1,674.3 million in asset replacement programs. Powerlink submits that a large component of forecast replacement expenditure relates to several large projects/projects or work; namely the substation and transmission line reinvestment at Kamerunga station, and the physical security uplift program.⁴⁰

Powerlink indicates that its transmission line reinvestment forecast stems from the recommendations from its Asset Reinvestment Review. It implemented a review of its approach to network asset reinvestment, particularly for overhead transmission lines after the findings from the 2022–27 revenue determination. Recommendations from the review focused on a more targeted, risk-based and cost-effective replacement decisions. The review (which comprised of representatives from the customer base, the AER, and Powerlink subject matter experts) concluded that Powerlink retain its existing definition of transmission line assets, limit compliance upgrades to only those structures already undergoing condition-based works, and evaluate both single-stage and bundled multi-stage options.⁴¹

Major replacement programs within Powerlink’s proposal that exceed \$50 million include:⁴²

- Woree-Kamerunga 132kV Line Reinvestment (\$147.8 million)
- Ross to Chalumbin Life Extension (\$115.1m million)
- Kamerunga Station Rebuild (\$76.3 million)
- Coppabella Substation Reinvestment (\$58.3 million)
- Oonooie Substation Rebuild (\$57.0 million)
- Molendinar Secondary Systems Replacement (\$56.8 million).

Another significant driver of Powerlink’s replacement expenditure is secondary systems and telecommunications, comprising of \$534.9 million (or 31.9%) of replacement expenditure. Powerlink indicates that the expansion of their network in the 2000’s and 2010’s has led to a greater volume of assets requiring replacement within the 2027–32 period. Powerlink also submits that the rapidly changing environment is a key driver behind increased investment in telecommunications expenditure.⁴³

5.3.3.2 Support the Business expenditure

Powerlink has proposed \$231.9 million for its Support the Business program, which consists of uplifting, sustaining and constructing new buildings, and new fleet and tool purchases. Powerlink has indicated that this expenditure is primarily related to their ageing resources

³⁹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 53.

⁴⁰ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 53.

⁴¹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 53.

⁴² Powerlink, [2027-32 Revenue Proposal - Capital Expenditure Model](#), January 2026.

⁴³ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 54.

and facilities, operational growth, and its ability to provide extended and new operational services.⁴⁴

Key expenditure in Powerlink’s proposal includes:⁴⁵

- Building – Virginia uplift (\$106.3 million)
- Building – Gladstone (\$56.6 million)
- Motor vehicles (\$34.2 million with \$7.2 million of disposals)
- Buildings – New depot (\$17.1 million)
- Buildings – Sustaining (\$12.6 million)
- Tools (\$12.4 million).

5.3.3.3 Security/compliance expenditure

Powerlink has proposed \$166.8 million in security/compliance programs, including substation physical security, trend-based expenditure, architecture upgrades, and wide area monitoring protections.

Powerlink’s proposal includes:⁴⁶

- Substation Physical Security (\$146.6 million)
- Security and Compliance Trend Based (\$12.9 million)
- WAMPAC – Head End Architecture Upgrade (\$4.7 million).

Powerlink states that its security and compliance program is based on a standardised approach to each site, based on its criticality and comparative size.⁴⁷ Its proposed forecast includes a targeted risk assessment that will be undertaken to assess the vulnerability, criticality, and works required for each site. Powerlink outlines that this will drive significant capex as existing security systems will be replaced and enhanced in the 2027–32 period.⁴⁸

5.3.3.4 Other expenditure

Powerlink has proposed \$98.3 million in ‘other’ expenditure for technology programs, procurement overvoltage monitoring and relocation of services.

Powerlink indicates that the increase in its forecast is due to the changing behaviour of the network with storage resources, combined with challenging network investment conditions, and the unbundling of system services. This includes the enhancement of data analysis to support advanced tools for situational awareness, support operational awareness, and to ensure the Next Generation Network Operations program can be leveraged.⁴⁹

⁴⁴ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 55.

⁴⁵ AER analysis; Powerlink, [2027-32 Revenue Proposal - Capital Expenditure Model](#), January 2026.

⁴⁶ Powerlink, [2027-32 Revenue Proposal - Capital Expenditure Model](#), January 2026.

⁴⁷ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 54.

⁴⁸ Powerlink, [2027-32 Revenue Proposal](#), January 2026, pp 54 – 55.

⁴⁹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 55.

Key expenditure in Powerlink’s proposal for other expenditure include:⁵⁰

- Decision Support and Situational Awareness (\$36.8 million)
- Forecasting and Data Support (\$19.5 million)
- Other Trend Based (\$18.0 million)
- Procurement of Spare 275/132kV Transformer (\$15.9 million)
- WAMPAC RT PMU (\$5.5 million).

Collectively, this expenditure aims to support more agile and informed operational responses while also enabling Powerlink to operate the network with higher risk tolerances.⁵¹ Powerlink states that this expenditure will lead to reduced curtailment of generation, improved network utilisation, achieving system security and achieving reliability at a lower cost.⁵²

5.3.3.5 Business IT expenditure

Powerlink has proposed \$27.4 million in Business IT expenditure. This is a reduction from the current period due to the increased adoption of cloud-based services (SaaS).⁵³

Powerlink has used the International Accounting Board’s definition of intangible assets, which has now classified most of their SaaS no longer being classified within capex, and now categorised as operating expenditure.⁵⁴ It also notes that in line with Australian Accounting Standards, most of Powerlink’s future IT investment will be treated as an operating expense, and not capex.

Powerlink’s Business IT proposal includes:⁵⁵

- Recurrent IT (\$11.3 million)
- Cyber security (\$8.4 million)
- Client Devices (\$4.8 million).

5.3.4 Network load driven capital expenditure

This category of expenditure is driven by the projected growth of demand, and the subsequent expansion of the network to support future demand.

5.3.4.1 Easement expenditure

Powerlink has proposed \$295.1 million in easement expenditure to support construction of new load driven connections to Energy Queensland and rebuild transmission lines in Gladstone and North Queensland regions.

⁵⁰ Powerlink, [2027-32 Revenue Proposal - Capital Expenditure Model](#), January 2026.

⁵¹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 55.

⁵² Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 55.

⁵³ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 56.

⁵⁴ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 56.

⁵⁵ Powerlink, [2027-32 Revenue Proposal - Capital Expenditure Model](#), January 2026.

Powerlink submits that its forecast represents a fundamental shift in the complexity and scale of future transmission development, driven by changes to state and national policy, stakeholder expectations, and regulatory requirements.⁵⁶ It also states that the combined effect of these changes in policy leads to longer wait times to secure easements, greater levels of technical assessments, a more resource intensive program, and higher levels of community and Traditional Owner involvement.⁵⁷

Key expenditure in Powerlink’s easement proposal includes:⁵⁸

- Nebo to Bouldercombe Strategic Easement (\$151.1 million)
- Calliooe Ruver to Wurdon Strategic Easement (\$51.2 million)
- Southern Logan Sub Site & Easement Acquisition (\$36.5 million)
- Reide River Third Circuit Cut Strategic Easement (\$30.6 million)
- Southern Cairns Area Substation Site Acquisition (\$13.7 million)
- Strategic Easement Acquisition for Feeder 813 (\$5.6 million).

5.3.4.2 Augmentation expenditure

Powerlink has proposed \$5.8 million in augmentation.

Powerlink has indicated that the forecast is materially lower than the current period due to substantial augmentation expenditure being progressed under the priority transmission investment (PTI) framework.⁵⁹ The priority transmission investment framework is a Queensland state-based planning and investment framework, which allows Powerlink to construct and deliver projects, and subsequently recover costs following completion.

Questions on capex

- 7) Are there any particular areas of Powerlink’s capex proposal that you would expect further engagement on?
- 8) How do you consider the proposed capex programs reflect consumers’ preferences?
- 9) Do you consider that the areas we have identified for greater assessment focus are appropriate, and, if not, what other areas should be considered and why?
- 10) Do you have any views on the prudence (need) and efficiency (cost) of any aspects of the proposed capex?

5.4 Operating expenditure

Operating expenditure (opex) refers to the operating, maintenance and other non-capital expenses incurred in the provision of network services. It includes labour costs and other non-capital costs that a prudent service provider is likely to require for the efficient operation

⁵⁶ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 52.

⁵⁷ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 52.

⁵⁸ Powerlink, [2027-32 Revenue Proposal - Capital Expenditure Model](#), January 2026.

⁵⁹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 52.

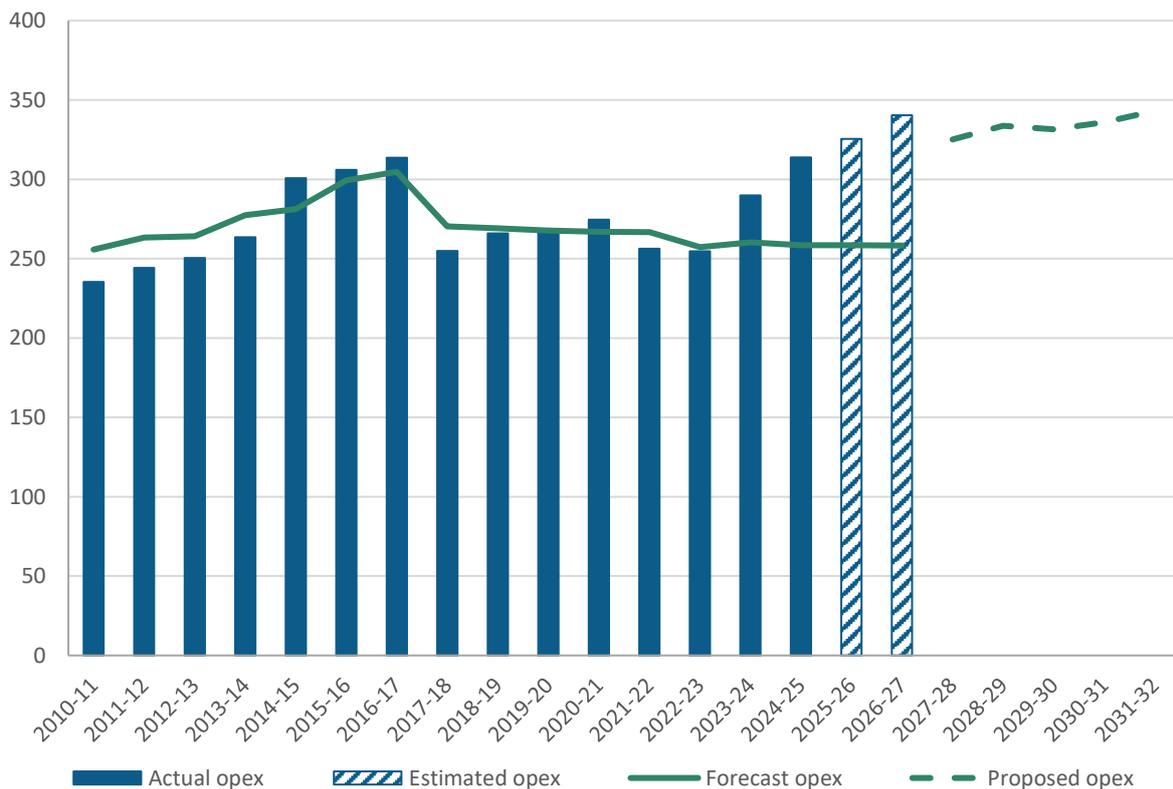
of its network. Unlike capex, the total forecast opex approved for Powerlink’s 2027–32 period will be recovered within that one period. This means opex has a more immediate impact on revenue than capex.

Powerlink proposed total forecast opex of \$1,832.2 million (\$2026–27)⁶⁰, including debt raising costs, for the 2027–32 period. This is:

- \$539.9 million (41.7%) higher than the total forecast opex we approved (and used to set revenues) in our decision for the current 2022–27 period.
- \$307.7m (20.2%) higher than Powerlink’s actual/estimated opex in the 2022–27 period.

Figure 9 shows the trend in Powerlink’s total opex over time. Powerlink’s opex was largely stable and consistent with the AER’s allowance over the previous 2017–2022 period. Since then, opex has rapidly increased in each year of the current 2022–2027 period to levels significantly above our allowance. Powerlink’s estimate of its 2025–26 base year is \$67.1 million or 26.0% above our allowance for that year. Over the entire current period, Powerlink’s actual and estimated opex is forecasted to \$231.0 million or 17.9% higher than the AER allowance.

Figure 9 Comparison of Powerlink’s opex over time (\$ million, 2026–27)



Source: Powerlink, Economic benchmarking–Regulatory information notice response 2010–2024; Powerlink, Powerlink Services (ET) 2024-25 - Orders - Regulatory Templates, November 2025, AER, Powerlink Services 2010-2027 - post tax revenue model; Powerlink, Powerlink Services - TRR 2027-32 Operating Expenditure Model, January 2026; AER analysis.

⁶⁰ All dollars in Section 5.4 are in \$2026-27 terms unless otherwise stated.

Note: Includes debt raising costs.

The AER's *Better Resets Handbook* and *Expenditure Forecast Assessment Guideline* sets our expectations for opex forecasts, including that:

- the business will use our base-trend-step approach, including our standard assumptions
- the business will use a base year for which audited actual opex is available and that a network business can demonstrate that it is not materially inefficient
- step changes should be for exceptional events, well justified, and not double count costs included in the base or trend components of our opex forecast
- category specific costs will be small in number and well-justified
- there should be evidence of genuine consumer engagement.

Based on our initial assessment, Powerlink's proposal adopts our base-trend-step approach.⁶¹ Powerlink used an estimate of its opex for 2025–26 as its base year, noting it will provide actual audited opex in its revised proposal. Powerlink states it selected 2025–26 as the base year as it considers this year will be the most representative of its ongoing efficient recurrent costs when its revised proposal is submitted in December 2026.⁶²

Powerlink submitted that its rapidly increasing opex over the current period is being driven by significant changes to its operating environment, and that the AER's economic benchmarking approach, while providing historical context, does not reflect the rapid, recent changes it faces. Powerlink stated that the majority of the costs increases over this period can be attributed to substantial increases in its workforce, required to respond to changes in government policy, emissions reduction targets and major planned investments, and to increases in labour costs resulting from new enterprise agreements, which took effect from February 2024. Powerlink noted secondary cost drivers in the current period included increasing technical complexity of operating the transmission network as its transitions to more renewable energy, and increasing regulatory and compliance obligations.⁶³

Powerlink supported its submission that its estimated 2025–26 base year opex is not materially inefficient with analysis from the AER's *2025 Annual Transmission Benchmarking Report*, and an assessment by its consultant HoustonKemp.⁶⁴ Powerlink submits that while its consultant's analysis shows that its operating expenditure efficiency declined in 2023–24, and is forecast to decline further in 2024–25 and 2025–26 (its proposed base year), this may be due to a transmission industry-wide trend. Powerlink noted that it will provide further analysis on the efficiency of its base year in its revised proposal using more recent data.⁶⁵

Given the relatively rapid and material increase in Powerlink's opex over the current period to levels significantly above the AER allowance, and the potential further decline in Powerlink's benchmarked performance over 2024-25 and 2025-26, we propose to prioritise our

⁶¹ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 86.

⁶² Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 69.

⁶³ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 72-74.

⁶⁴ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 76-80 and 88-95.

⁶⁵ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 93-94.

assessment on the drivers of Powerlink’s cost increases over the current period, and the implications this may have for its choice of base year and base year efficiency.

Powerlink proposed 3 step changes totalling \$85.1 million, representing 4.6% of total forecast opex.⁶⁶ Given the materiality of the step changes, individually and collectively, we propose to prioritise assessment of these step changes. Our assessment will focus on the prudence and efficiency of the proposed costs increases and holistically consider potential interactions with any related proposed capex. We will also test that the proposed additional expenditures are not already accounted for in the base year or trend forecast used to escalate base opex, and that Powerlink has considered all opex factors and inputs in the proposed step change costs.

Powerlink’s proposal outlines how it has responded to and incorporated customer and stakeholder feedback received during its customer engagement program. Powerlink’s engagement included discussions on the opex elements of choice of base year, step changes, and options for forecasting output growth and insurance costs.⁶⁷

5.4.1 Key drivers of Powerlink’s opex

Powerlink used estimated opex in 2025–26 as the base year for forecasting the 2027–32 period. It stated that it selected 2025–26 as this year will be the best available reflection of current and future operating conditions. Powerlink notes its revised proposal will be updated to reflect actual audited 2025–26 base year costs. Powerlink also noted that its most recent benchmarking results confirm the efficiency of its opex.⁶⁸

Powerlink then:⁶⁹

- removed \$31.5 million, or 1.7% of total forecast opex, to reflect adjustments to base opex to remove non-recurrent costs for operational technology licences (\$1.4 million) and revenue reset preparation costs (\$30.1 million)
- removed \$0.1 million to reflect the change in opex between the base year (2025–26) and final year (2026–27), using the approach outlined in the AER’s *Expenditure Forecast Assessment Guideline*.

Applied a rate of change (trend) comprising of:

- forecast price growth averaging 0.8% per year (\$36.9 million)
- forecast output growth averaging 0.9% per year (\$34.4 million)
- forecast productivity growth of 0.4% per year (–\$20.3 million)

Added 3 positive step changes totalling \$85.1 million, or 4.6% of total forecast opex:

⁶⁶ Powerlink, [2027-32 Revenue Proposal - Operating Expenditure Model](#), January 2026; Powerlink, [2027-32 Revenue Proposal](#), January 2026, pp 81-83,

⁶⁷ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 94, 96, 99 and 101.

⁶⁸ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 94; AER, *2024 – Annual Benchmarking Report – Electricity distribution network service providers*, November 2025.

⁶⁹ Powerlink, [2027-32 Revenue Proposal - Operating Expenditure Model](#), November 2025; AER analysis.

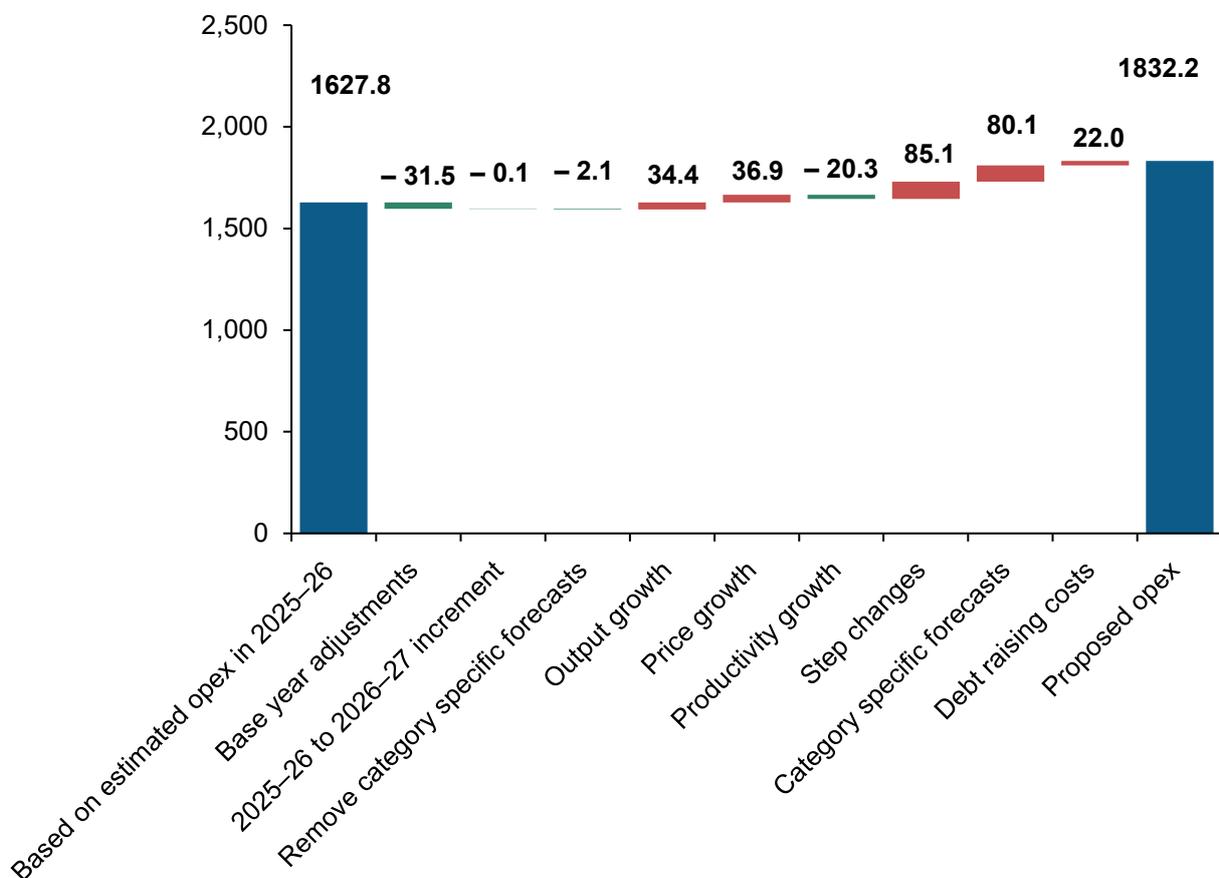
- Transition to cloud-based solutions (\$60.0m)
- Physical security uplift (\$16.4m)
- Overnight network monitoring (\$8.7m)

Added category specific forecasts totalling \$102.1 million, or 5.6% of total forecast opex, for:

- \$80.1 million for AEMO participant and cyber security fees
- \$22.0 million for debt raising costs.

Figure 10 shows how the components discussed above are contributing to Powerlink’s proposed opex forecast.

Figure 10 Breakdown of opex forecast (\$ million, 2026–27)



Source: Powerlink, Transmission Revenue Reset 2027-32, *Operating Expenditure Model*, November 2025; AER analysis.

Questions on opex

11) Do you consider Powerlink’s opex forecast for the 2027–32 regulatory control period reasonably reflects the efficient costs of a prudent operator? Specifically, do you consider Powerlink’s estimate of 2025–26 base year opex, and proposed step changes are required to produce an opex forecast that reasonably reflects the efficient costs of a prudent operator?

12) What are your views regarding our prioritised review of base year opex and the step changes?

13) Do you consider that Powerlink’s opex proposal, particularly the drivers of the rapidly increasing costs and benefits of the step changes, were sufficiently consulted on during the stakeholder engagement processes? Has Powerlink adequately addressed the themes and issues raised by stakeholders?

5.5 Corporate income tax

Corporate income tax is calculated as part of the building blocks assessment using our post-tax revenue model (PTRM). Powerlink’s proposal includes an estimated cost of corporate income tax amount of \$99.0 million (\$ nominal) over the 2027–32 period:

- It has proposed an immediately expensed capex amount of \$350.9 million (\$2026–27) for the 2027–32 period. This forecast amount is based on the average of actual immediate deductions of capitalised overheads in previous years for tax purposes. This approach is consistent with Powerlink’s 2022–27 determination.⁷⁰
- It has adopted the diminishing value method for tax depreciation to all forecast capex, except for a limited number of assets which must be depreciated using the straight-line depreciation method under the tax law.
- It has applied the same tax asset lives from the 2022–27 determination.

We will assess the appropriateness of the proposed capex allocated for straight-line depreciation for tax purposes and the tax asset lives, based on the approach we have taken in recent determinations.

5.6 Uncertainty mechanisms

Our decision on Powerlink’s proposal will set the revenue allowance that forms the major component of its network charges for the next 5 years. It provides a baseline or starting point for that period. Over the 2027–32 period there are several additional mechanisms under the NER that may operate to increase or decrease those charges. These include cost pass through events and contingent projects. The triggers set out for these events (either in the NER or in our determination) will, if met, allow Powerlink to apply for additional revenue throughout the period, at which point proposed costs will be subject to further consultation and assessment. In limited circumstances Powerlink may also apply to reopen our determination for further capex.⁷¹

5.6.1 Cost pass through events

Powerlink is re-proposing 3 nominated cost pass through events previously approved by the AER in our 2022–27 determination, including an insurance coverage event, insurer credit risk event, and natural disaster event. Powerlink is also proposing a new terrorism event for where unforeseen acts of terrorism, for which Powerlink does not have insurance, cause a material increase in Powerlink’s costs. Powerlink submitted that it is proposing this new event to manage the increasing risk of acts of terrorism events, noting that this type of event is

⁷⁰ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 116.

⁷¹ NER, cl. 6.6.5.

common among other transmission and distribution networks in the NER, and has been accepted by the AER in other recent determinations.⁷²

We welcome stakeholder feedback on this nominated cost pass through to assist with our assessment in accordance with chapter 10 of the NER.

Question on cost pass through events

14) What are your views on the new nominated terrorism pass through event?

5.6.2 Contingent projects

Contingent projects are usually significant network augmentation projects that are reasonably required to be undertaken to achieve the capex objectives. However, unlike other proposed capex projects, the need for the project within the regulatory control period and the associated costs are not sufficiently certain. Consequently, expenditure for such projects does not form a part of the total forecast capex that we approve in this determination. Such projects are linked to unique investment drivers and are triggered by defined ‘trigger events’. The occurrence of the trigger event must be probable during the relevant regulatory control period.⁷³ The cost of the projects may ultimately be recovered from customers in the future if the trigger events are met.

Powerlink has proposed 9 contingent projects for the 2027–32 period, as set out below in Table 3. These are separated based on the type of project:

- 4 projects are related to addressing additional customer demand or reduction in generating capacity.
- 5 projects are identified in the Queensland Government’s Energy Roadmap.

Powerlink has also highlighted 2 projects associated with AEMO’s Integrated System Plans (ISP). QNI Connect is actionable in AEMO’s 2024 ISP, and Central Queensland to South Queensland Reinforcement has been identified in AEMO’s Draft 2026 ISP. While Powerlink is not proposing these as contingent projects, it described them in the regulatory proposal to provide transparency on the overall pipeline of works to come.

As Table 3 shows, in total, Powerlink are proposing a total of up to \$4.3 billion in capex in its contingent projects up to 2037. With the inclusion of ISP-related projects, this brings its total capex to \$7.3 billion up to 2037.

Table 3 Powerlink contingent projects

Proposed contingent project	Indicative total capital cost (\$ million, real 2026–27)	Type of project
Northern Bowen Basin Reinforcement	442.3	Non-ISP
Southern Queensland System Strength	225.0	Non-ISP

⁷² Powerlink, [2027-32 Revenue Proposal](#), January 2026, pp 129-134.

⁷³ NER, cl. 6.6A.1(c)(5).

Proposed contingent project	Indicative total capital cost (\$ million, real 2026–27)	Type of project
North Brisbane Area Network Development	247.9	Non-ISP
Central Queensland System Strength	450.0	Non-ISP
Central to North Queensland Reinforcement	209.0 to 1,788.0	Energy Roadmap
Gladstone Area Augmentation ^(a)	76.0 to 374.5	Energy Roadmap
Southwest Queensland Augmentation	79.0	Energy Roadmap
Brisbane Area Network Development	64.6	Energy Roadmap
Surat Basin Area Network Development	643.7	Energy Roadmap
Total capital cost	2437.5 to 4315.0	

Source: AER Analysis; Powerlink, 2027-32 Revenue Proposal, January 2026.

Notes: (a) The Gladstone Area Augmentation contingent project was initially listed as an actionable ISP but is now part of the Energy Roadmap.

As Table 3 shows, Powerlink has proposed 4 contingent projects:⁷⁴

- The Northern Bowen Basin Reinforcement contingent project proposes to construct a high capacity 132kV double circuit transmission line between Nebo and Moranbah. Powerlink outlines that the Northern Bowen Basin area is limited by thermal ratings of 132kV, and new and expanded mining operations could see a rise in load demand. It is indicated that there is considerable interest in the electrification of mining operations due to greenhouse gas reduction targets and the net zero by 2050 plan.
- The Central Queensland System Strength contingent project involves the purchase and installation of 2 synchronous condensers at existing substations in Central Queensland. Powerlink outlines that non-synchronous generators do not inherently provide system strength as they use grid-following inverter technology. In comparison, a synchronous generator will provide system strength as a by-product of their dispatch for energy.
- The Southern Queensland System Strength contingent project involves the purchase and installation of 1 synchronous condenser at an existing substation in Southern Queensland. Powerlink indicates that this will allow the network to operate stably and assist in synchronous power generation from coal-fired, gas turbine and hydro-electric energy sources.
- The North Brisbane Area Network Development contingent project involves constructing a new 275/110kV substation in Banyo. In addition, it also comprises of uprating the 275kV circuit line between South Pine substation and Banyo while constructing a new section of double circuit line between Sandgate and Banyo. Powerlink states this will

⁷⁴ Powerlink, [2027-32 Revenue Proposal - Appendix 4.04 – Contingent Projects](#), January 2026.

allow it to meet the growing load demand within the North Brisbane area as 110kV limits the maximum supportable load within the area.

Powerlink is also proposing 5 contingent projects in line with the Queensland Government’s Energy Roadmap. The Energy Roadmap is a 5-year plan released in October 2025 that commits to net-zero emissions by 2050. AEMO identifies one other Queensland project, the Gladstone Project, that would ordinarily have been declared as ‘actionable’ but is instead flagged to be progressed under Queensland’s Energy Roadmap.

Question on contingent projects

15) What are your views on the proposed contingent projects?

In addition to the 9 contingent projects, Powerlink is also proposing capex for two ISP projects, estimated at a total capital cost of \$3 billion (see Table 4).

Table 4 Powerlink ISP projects

ISP Project	Indicative total capital cost (\$ million, real 2026–27)	ISP Status
QNI Connect ^(a)	1,500.0	Actionable ISP
Central Queensland to South Queensland Reinforcement ^(a)	1,500.0	Future ISP

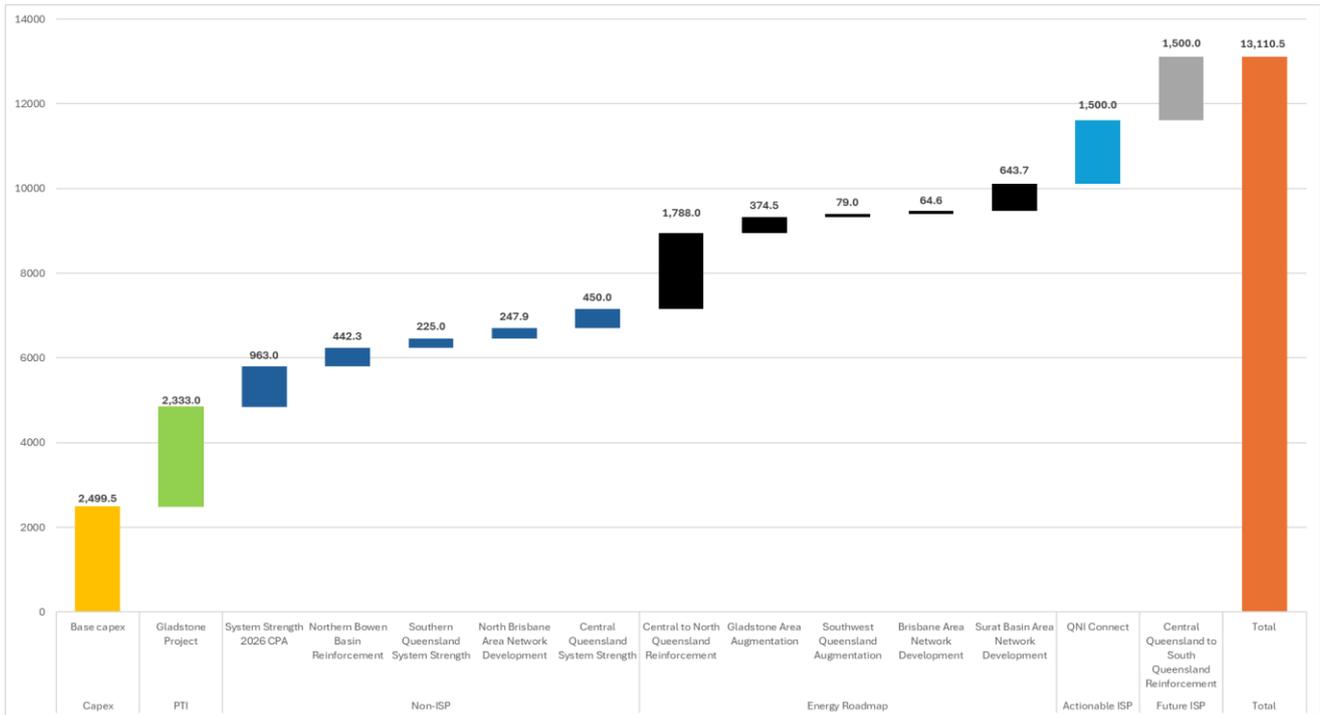
Source: AER Analysis; Powerlink, 2027-32 Revenue Proposal, January 2026.

Notes: (a) QNI Connect is actionable in AEMO’s 2024 ISP and Central Queensland to South Queensland Reinforcement has been identified in AEMO’s draft 2026 ISP. While Powerlink is not proposing these as contingent projects, it described them in the regulatory proposal to provide transparency on the overall pipeline of works to come.

Deliverability

Figure 11 illustrates Powerlink’s base capex alongside these additional major projects Powerlink has proposed as probable within its 10-year planning horizon. The additional projects are contingent projects (Table 3 above includes non-ISP and Energy Roadmap projects) and ISP projects (Table 4 above). While Powerlink’s base capex proposal is \$2.5 billion, if these projects were included, Powerlink’s capex investment portfolio could reach up to \$9.8 billion. In addition, Powerlink also has capex associated with the Gladstone project (a priority transmission investment under the *Energy (Infrastructure Facilitation) Act* and potentially another system-strength related contingent project in the current period. This is a total of \$13.1 billion in potential capex over the next 10 years.

Figure 11 Powerlink’s probable capex over the next 10 years – includes ISP-related and Energy Roadmap capex*



Source: AER Analysis; Powerlink, 2027–32 Revenue Proposal, January 2026, Powerlink, 2027–32 Revenue Proposal – Appendix 10.01 Price Impact Scenarios, January 2026.

Notes: *For contingent projects with a forecast range of costs, the upper bound is included in the figure. The total cost for projects is included. The timing of costs will depend on when triggers are actioned.

We consider that demonstration of the deliverability of the proposed capex program is an important aspect of a prudent and efficient forecast. We observe that Powerlink is proposing a material step up in capex works in the 2027–32 period as well as 4 capex-intensive contingent projects. This is against a backdrop of increases in demand for infrastructure and energy related skills and materials. At the same time, Powerlink is proposing significant increases in capital projects in response to the Queensland Energy Roadmap and ISP-projects over a number of regulatory periods.

In assessing the prudence and efficiency of Powerlink’s forecast capex for the 2027–32 period, we will assess the degree that Powerlink has assessed deliverability risk in coming to its forecast capex. As delivery risks emerge for individual projects and programs, there may be a material change to the selection of preferred options and timing which may result in a corresponding reduction in the level of capex that would be incurred by Powerlink as well as a re-prioritisation within the capex portfolio. We would expect a business, operating prudently and efficiently, to have thoroughly assessed current and emerging deliverability risks, taking account of its current skill and material inventory including gaps to determine a feasible capex program that is associated with credible timing of investments.

Questions on deliverability

16) Do you have comments on the deliverability risk of Powerlink’s overall capex program?

6 Incentive schemes and allowances to apply for 2027–32

Incentive schemes are a component of incentive-based regulation and complement our approach to assessing efficient costs. They provide important balancing incentives under network determinations, encouraging businesses to pursue expenditure efficiencies while maintaining the reliability and overall performance of its network. Incentive schemes that may apply to transmission network businesses include:

6.1 Efficiency benefit sharing scheme (EBSS)

The efficiency benefit sharing scheme (EBSS) provides a continuous incentive to pursue efficiency improvements in opex, and for a fair sharing of these between the business and network users. Our base-step-trend forecasting methodology for opex is closely linked to the EBSS. The constant incentive to reduce opex year on year gives us confidence that we can rely on a single base year of actual data for the purposes of forecasting future years. Consumers benefit from improved efficiencies through lower opex in regulated revenues for future periods.

We also exclude categories of costs from the EBSS that we do not forecast using a single year revealed cost forecasting approach in the following control period. We do this to share efficiency gains and losses. If we do not use a single year revealed cost forecasting approach, we may not pass the benefits of these revealed efficiency gains to consumers. It follows that consumers should not pay for EBSS rewards where they do not receive the benefits of a lower opex forecast.

In the current period, we excluded the following categories of opex not forecast using a single year revealed cost approach:⁷⁵

- movements in provisions
- debt raising costs
- network capability incentive parameter action plan (NCIPAP) project costs
- network support costs.

Powerlink has proposed that the EBSS continue to apply in the 2027–32 period⁷⁶ with the same exclusions of opex categories, as well as a self-insurance adjustment to its actual opex, and the exclusion of AEMO Participant and Cyber Security Fees.⁷⁷

Powerlink's proposal includes a \$225.0 million (\$2026–27) revenue decrease (negative carryover) under the EBSS, to share the changes in efficiency derived from the application of the EBSS in the 2022–27 period.

⁷⁵ AER, [Draft decision – Powerlink transmission 2022-27 – Attachment 8 – Efficiency benefit sharing scheme](#), September 2021, pp 4-5.

⁷⁶ Powerlink, [2027-32 Revenue Proposal](#), January 2026.

⁷⁷ Powerlink, Efficiency benefit sharing scheme (EBSS) model, January 2026, Powerlink, 2027-32 Revenue Proposal, January 2026, p. 140.

6.2 Capital expenditure sharing scheme (CESS)

This incentivises Powerlink to undertake efficient capex throughout the period by rewarding efficiency gains and penalising efficiency losses, each measured by reference to the difference between forecast and actual capex. Consumers benefit from improved efficiencies through a lower RAB, which is reflected in regulated revenues for future periods. As discussed in our Framework and Approach⁷⁸ The CESS will apply in accordance with our current Capital Expenditure Incentive Guideline⁷⁹ over the 2027–32 period.

Powerlink proposed a CESS revenue decrement of \$136.4 million for the 2022–27 period. This reflects an expected overspend to the AER's regulatory allowance.⁸⁰

6.3 Service target performance incentive scheme (STPIS)

We create, administer and maintain the STPIS in accordance with the requirements of the NER. The purpose of the STPIS is to provide incentives to Powerlink to provide greater transmission network reliability when network users place greatest value on reliability and improve and maintain the reliability of the elements of the transmission network most important to determining spot prices.

As discussed in our Framework and Approach⁸¹, we propose to apply version 6 of the STPIS to Powerlink for the 2027–32 period.⁸² Version 6 of the STPIS came into effect on 17 April 2025.⁸³

Under version 6 of the STPIS, the following 2 parameters will apply to Powerlink:

- The service component (SC), which incentivises Transmission Network Service Providers (TNSPs) to reduce the frequency of unplanned outages and the time taken to return the network to service, and
- The network capability component (NCC) which incentivises businesses to identify transmission network limits and increase capability by undertaking projects with a capital cost of less than the RIT-T threshold and which are likely to result in a material benefit.

Version 6 includes the following changes to the SC and NCC (compared to version 5):

- We have amended the SC to remove rounding in setting targets for the loss of supply frequency parameter

⁷⁸ AER, [Final Framework and Approach for Powerlink 2027–32](#), July 2025, pp 4-5.

⁷⁹ AER, [Capital Expenditure Incentive Guideline for Electricity Network Service Providers](#), August 2025.

⁸⁰ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 140.

⁸¹ AER, [Final Framework and Approach for Powerlink 2027–32](#), July 2025, p 5.

⁸² AER, [Final Framework and Approach for Powerlink 2027–32](#), July 2025, p 3.

⁸³ On 13 November 2025, the AEMC began consulting on a Rule change proposed by the AER entitled *Early application of a revised transmission Service Target Performance Incentive Scheme*. The Rule change request would allow the AER to reopen a TNSP's revenue determination for the purpose of applying version 6 of the STPIS before the end of a TNSP's regulatory control period. The AEMC has advised that any final rule is expected to be published in May 2026.

- We have amended the NCC to no longer require TNSPs to submit a Network Capability Incentive Parameter Action Plan as part of their revenue proposal, but rather to require TNSPs to identify the projects in their Transmission Annual Planning Report that should be the subject of the NCC for our approval each year.

Under version 6 of the STPIS, the Market Impact Component (MIC)⁸⁴ (which applies in version 5 of the STPIS) has been suspended. As per our explanatory statement⁸⁵, we have undertaken a process to explore alternatives to the MIC through a working group comprising industry stakeholders and market bodies. Working group meetings have already commenced, and it is expected the working group will report its findings by mid to late 2026.

On 28 August 2025, the AER submitted a Rule change proposal to the AEMC seeking to amend the NER to allow us to reopen a TNSP’s revenue determination for the purpose of applying a revised STPIS during a regulatory control period.

On 19 February 2026 the AEMC published its *Early application of a revised transmission Service Target Performance Incentive Scheme* draft rule. The draft rule would apply components of version 6 sooner to:

- Disapply the market impact component (MIC) for a transmission network service provider’s (TNSP) performance from 1 January 2026.
- Amend the target for the loss of supply frequency parameter under the service component (SC) for TNSP performance from 1 July 2026.

The effect of the draft rule is that the latest amendments to the STPIS (version 6) related to the SC and the MIC would apply to Powerlink before the end of its current regulatory control period. Under the draft Rule, there is no early adoption of the NCC.

In the event that, as a result of the findings of the Working Group, the AER replaces the MIC in the STPIS and publishes version 7, the AER will need to make a decision as to whether it will apply version 7 during Powerlink’s next regulatory control period.

6.4 Demand management innovation allowance mechanism (DMIAM)

This funds transmission service network providers for research and development in demand management projects that have the potential to reduce long-term network costs. Projects to be funded under the DMIAM must meet approval criteria, as set out in the DMIAM instrument. Any part of the allowance that is not spent on an approved project will be returned to consumers in the subsequent period.

After consulting with its customers, Powerlink proposes not to apply the DMIAM for the 2027–32 period.⁸⁶

⁸⁴ The MIC incentivises TNSPs to minimise the financial impact of outages on the dispatch of generation

⁸⁵ AER, [Transmission STPIS - Final Amendments: Explanatory Statement](#), April 2025, p 13.

⁸⁶ Powerlink, [2027-32 Revenue Proposal](#), January 2026, p 149

Questions on incentive schemes

- 17) What, if any, are your concerns with the application of the CESS or EBSS for Powerlink in the 2027–32 regulatory control period?
- 18) Do you consider Powerlink’s proposed exclusions of opex categories from the EBSS for the 2027–32 regulatory control period are reasonable? Please explain why.

7 Pricing methodology and negotiating framework

Our transmission determination for Powerlink must specify a pricing methodology for its prescribed transmission services.⁸⁷ We must be satisfied Powerlink’s proposed pricing methodology for the 2027–32 period gives effect to pricing principles for prescribed transmission services, and complies with the requirements of the pricing methodology guidelines.⁸⁸ The role of the pricing methodology is to set out how the TNSP will recover its costs via prices.⁸⁹ Powerlink is the sole provider of prescribed transmission services and Coordinating Network Service Provider (CNSP) for the Queensland region.⁹⁰

Powerlink’s proposed pricing methodology was updated for recent rule changes, including:

- System security network support payments are now recovered through common transmission services charges using an annual ‘true-up’ process.⁹¹
- For completeness, terminology has been updated to refer to “total regional aggregate annual revenue requirement”, particularly in Powerlink’s role as the CNSP.⁹²
- Again, for completeness, providing for the possibility that interconnector costs can now alternatively be allocated between regions based on negotiated agreements between relevant Ministers.⁹³

Powerlink also proposed to continue the shift from using a combination of average demand and peak demand to derive locational prices to using peak demand only. This maintains a 10-year schedule started in the 2022–27 regulatory period⁹⁴ and reduces average demand weighting by 10% annually, reaching a 0% allocation by 30 June 2032.

Questions on pricing methodology

19) Do you consider Powerlink’s proposed changes to its pricing methodology for the 2027–32 period are appropriate and that they give effect to the pricing principles for prescribed transmission services?

⁸⁷ NER cl. 6A.2.2(4)

⁸⁸ NER, cl 6A.14.3(g)

⁸⁹ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, December 2006, p 1.

⁹⁰ Powerlink, [2027-32 Revenue Proposal - Appendix 14.01 - Proposed Pricing Methodology](#), January 2026, p 11.

⁹¹ This change is defined in Sections 6.3 & 6.10.4 of the methodology. It is intended to reflect requirements of the National Electricity Amendment (Improving Security Frameworks for the Energy Transition) Rule 2024.

⁹² This is seen in Section 6.4 and follows NER cl. 6A.22.5. It is a label change to align with national rules.

⁹³ This process is set out in Section 6.4 of the methodology. It is intended to reflect the requirements of the National Electricity Amendment (Providing Flexibility in the Allocation of Interconnector Costs) Rule 2024.

⁹⁴ AER, [Final decision - Powerlink transmission determination 2022-27 - Amended Pricing methodology](#), January 2023, p 25.

20) More generally, do you have any comments on Powerlink’s proposed transmission pricing methodology for the 2027–32 period?

Summary of questions

Questions on our preliminary issues

- 1) What are your views regarding Powerlink’s justification for its proposed increase in replacement expenditure?
- 2) In your view, has Powerlink considered all avenues to ensure its replacement capital program is prudent and efficient?

Questions on consumer engagement

- 3) Do you consider Powerlink’s revenue proposal reflects the outcomes consumers want at a reasonable cost? Why?
- 4) How effective has Powerlink’s engagement been on the key areas of its revenue proposal, including its capital expenditure program?
- 5) Where do you consider consumer preferences are most evident in Powerlink’s proposal?

Questions on capex

- 6) Do stakeholders have comments on Powerlink’s expenditure over 2020–25 compared with its forecast capex allowance?
- 7) Are there any particular areas of Powerlink’s capex proposal that you would expect further engagement on?
- 8) How do you consider the proposed capex programs reflect stakeholder preferences?
- 9) Do you consider that the areas we have identified for greater assessment focus are appropriate, and, if not, what other areas should be considered and why?
- 10) Do you have any views on the prudence (need) and efficiency (cost) of any aspects of the proposed capex?

Questions on opex

- 11) Do you consider Powerlink’s opex forecast for the 2027–32 regulatory control period reasonably reflects the efficient costs of a prudent operator? Specifically, do you consider Powerlink’s estimate of 2025–26 base year opex and proposed step changes are required to produce an opex forecast that reasonably reflects the efficient costs of a prudent operator?
- 12) What are your views regarding our prioritised review of the base year opex and the step changes?
- 13) Do you consider that Powerlink’s opex proposal, particularly the drivers of the rapidly increasing costs and benefits of the step changes were sufficiently consulted on during the stakeholder engagement processes? Has Powerlink adequately addressed the themes and issues raised by stakeholders?

Question on pass through events

- 14) What are your views on the new nominated terrorism pass through event?

Question on contingent projects

- 15) What are your views on the proposed contingent projects?

Question on deliverability

16) Do you have comments on the deliverability risk of Powerlink’s overall capex program?

Questions on incentive schemes

17) What, if any, are your concerns with the application of the CESS or EBSS for Powerlink in the 2027–32 regulatory control period.

18) Do you consider Powerlink’s proposed exclusions of opex categories from the EBSS for the 2027–32 regulatory control period are reasonable? Please explain why.

Questions on pricing methodology

19) Do you consider Powerlink’s proposed changes to its pricing methodology for the 2027–32 period are appropriate and that they give effect to the pricing principles for prescribed transmission services?

20) More generally, do you have any comments on Powerlink’s proposed transmission pricing methodology for the 2027–32 period?

Shortened forms

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Capex	Capital expenditure
CESS	Capital expenditure sharing scheme
CNSP	Coordinating Network Service Provider
DMIAM	Demand management innovation allowance mechanism
EBSS	Efficiency benefit sharing scheme
ISP	Integrated System Plan
MIC	Market impact component
NCC	Network capability component
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
Opex	Operating expenditure
PTRM	Post-tax revenue model
RAB	Regulatory asset base
RIT-T	Regulatory Investment Test for Transmission
RORI	Rate of Return Instrument
SC	Service component
STPIS	Service target performance incentive scheme
TNSP	Transmission Network Service Provider