

# Final decision

Enabling Central-West Orana REZ network  
infrastructure project (non-contestable)

(1 July 2026 to 30 June 2031)

## Appendix B Adjustment mechanisms

January 2026

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## Note

This appendix forms part of the AER’s final decision on Transgrid’s 2026–31 non-contestable determination for the Enabling Central-West Orana (CWO) REZ network infrastructure project. It should be read with all other parts of the final decision.

The final decision includes the following documents:

- **Final decision** (main document)
- Appendix A – Quarterly service payments
- Appendix B – Adjustment mechanisms
- Appendix C – Rate of return averaging periods – Confidential

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## B. Adjustment mechanisms

### B.1 Adjustment mechanisms for events prescribed in EII Chapter 6A

Transgrid’s proposal contained 6 adjustment mechanisms for events prescribed in our revenue determination guideline for non-contestable network infrastructure projects (EII Chapter 6A), which largely mirrors Chapter 6A of the NER.<sup>1</sup> They are:

- a regulatory requirement as defined in clause 46(3) of the EII Regulation
- a service standard event
- a tax change event
- an insurance event
- an inertia shortfall event
- a fault level shortfall event.

Revenue adjustments for events prescribed in EII Chapter 6A are intended to be available for all Network Operators. These events have the same definition under the EII framework as they do under the NER.

Our final decision is to accept 4 of these 6 adjustment mechanisms, along with the definitions in Table 1. We have not accepted the inertia shortfall and fault level shortfall events. This is because these two events were removed as prescribed events in clause 6A.7.3(a1) of EII Chapter 6A, which aligns with the removal of these events as prescribed pass-through events from clause 6A.7.3(a1) of the NER following AEMC rule changes.<sup>2</sup>

**Table 1 AER’s final decision on adjustment mechanisms for events prescribed in EII Chapter 6A**

Adjustment event	Description of adjustment
Regulatory Requirements as defined in cl.46(3) of the EII Regulation	An increase or decrease in the revenue Transgrid may recover to accommodate additional prudent, efficient, and reasonable costs Transgrid incurs in complying with a regulatory requirement, as defined in cl. 46(3) of the EII Regulation.
A service standard event	An increase or decrease in the revenue Transgrid may recover to accommodate the additional costs Transgrid incurs from a service standard event, as defined in NER Chapter 10, Service Standard Event.

<sup>1</sup> EII Chapter 6A, cl. 6A.7.3(a1).

<sup>2</sup> The inertia shortfall event was removed from clause 6A.7.3(a1) of the NER chapter 6A in December 2024 by the [AEMC’s Improving Security frameworks for the energy transition rule change](#), and the fault level shortfall event was removed from clause 6A.7.3(a1) of the NER in 2022 by the [AEMC’s Efficient management of system strength on the power system rule change](#).

Adjustment event	Description of adjustment
A tax change event	An increase or decrease in the revenue Transgrid may recover to accommodate the additional costs Transgrid incurs from a tax change event, as defined in NER Chapter 10, Tax Change Event.
An insurance event	An increase or decrease in the revenue Transgrid may recover to accommodate the additional costs Transgrid incurs from an insurance event, as defined in NER Chapter 10, Insurance Event.

## B.2 Adjustment mechanisms for routine administrative events

Transgrid’s proposal contained 3 adjustment mechanisms for routine administrative events. These were:

- annual updates to revenue for actual inflation
- annual updates to the allowed rate of return to reflect updated return on debt
- an update to the allowed rate of return to reflect updated return on equity.

In our final decision, we have amended the names and definitions of each routine administrative event in Transgrid’s proposal to reflect similar wording used in our 2026–31 HCC final determination.<sup>3</sup> We changed the names of Transgrid’s proposed routine administrative events from:

- ‘annual updates to revenue for actual inflation’ to ‘Annual update for actual inflation’
- ‘annual updates to the allowed rate of return to reflect updated return on debt’ to ‘Return on debt update’
- ‘an update to the allowed rate of return to reflect updated return on equity’ to ‘Risk-free rate update’.

We consider this change was appropriate to maintain regulatory consistency between determinations but does not change the operation of the adjustment events from those Transgrid proposed in its revenue proposal.

Our final decision is to accept all 3 of these routine administrative events, along with the definitions in Table 2.

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<sup>3</sup> AER, *Final decision – Ausgrid – Hunter-Central Coast REZ non-contestable project 2026–31 – Appendix B – Adjustment mechanisms*, December 2025, p. 2.

**Table 2 AER’s final decision on adjustment mechanisms for routine administrative events**

Adjustment event	Description of adjustment
Annual update for actual inflation	An annual update to revenue for the actual rate of inflation.  Actual inflation is the percentage change in the relevant price index used for the escalation of costs in the revenue determination, as published by the Australian Bureau of Statistics' (ABS), from December in year t-2 to December in year t-1.
Return on debt update	Adjustment to update the allowed rate of return, to reflect more recent averaging periods. The updated allowed rate of return is the applicable rate of return calculated for year t, updated for the return on debt calculated for year t, in accordance with the 2022 RORI and using the averaging periods approved by the AER. <sup>4</sup>  Calculation of the trailing average cost of debt will follow the approach set out in the AER's final decision, including any transition to the trailing average for the return on debt calculation.
Risk-free rate update	An adjustment to the return on equity to true up for the final averaging period for the risk-free rate.  In the event the risk-free rate from Transgrid’s nominated averaging period is not available at the time of the AER’s Revenue Determination, the return on equity is to be updated prior to the first year of the regulatory period. The final decision risk-free rate, and subsequently the return on equity, is to be recalculated using the nominated averaging period as approved in the final decision.

### B.3 Adjustment mechanisms for standard events

Transgrid’s proposal contained 4 ‘nominated adjustment mechanisms’ to reflect the pass-through events accepted by the AER in Transgrid’s 2023–28 Revenue Determination under the NER. We have changed the name of this category of event to ‘standard event’ to ensure consistency with our recent 2026–31 revenue determination for the Hunter Central Coast Project.

In our final decision, we made the following minor changes to the descriptions of Transgrid’s proposed adjustment mechanisms for standard events:

- All ‘standard event’ definitions – we have added wording to clearly identify the cost impacts flowing from the trigger events separate from the trigger events’ descriptions proposed by Transgrid.

<sup>4</sup> AER, *Guidance note - Amendments to NER PTRM for determinations under the Electricity Infrastructure Investment Act and Regulations*, November 2024.

- Insurance coverage event – we added two clauses to reflect similar wording used in our 2026–31 HCC final determination.<sup>5</sup> We consider this change was appropriate to maintain regulatory consistency between determinations. We also added the definition of ‘related entity’ to clarify the wording in the new clauses.
- Insurance coverage event, Natural disaster event, and Terrorism event – we changed ‘in providing EII services’ or ‘in providing NSW non-contestable services’ to ‘in carrying out the CWO Enabling Project’, as ‘EII services’ and ‘NSW non-contestable services’ aren’t terms defined in the EII Act/Regulation, and it’s not clear what would be covered by these terms.
- Insurer’s credit risk event, Natural Disaster event, and Terrorism event – we changed ‘pass through application’ to ‘revenue adjustment application’, as this term is more appropriate under the EII framework.

Our final decision is to accept all 4 adjustment mechanisms for standard events, along with the definitions in Table 3.

**Table 3 AER’s final decision on adjustment mechanisms for standard events**

Adjustment event	Description of adjustment
Insurance coverage event	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from an insurance coverage event.</p> <p>An insurance coverage event occurs if:</p> <ol style="list-style-type: none"> <li>1. Transgrid:               <ol style="list-style-type: none"> <li>a. makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy or set of insurance policies, or</li> <li>b. would have been able to make a claim or claims under a relevant insurance policy or set of insurance policies but for changed circumstances, and</li> </ol> </li> <li>2. Transgrid incurs costs:               <ol style="list-style-type: none"> <li>a. beyond a relevant policy limit for that policy or set of insurance policies, or</li> <li>b. that are unrecoverable under that policy or set of insurance policies due to changed circumstances, and</li> </ol> </li> <li>3. The costs referred to in paragraph 2 above materially increase the costs to Transgrid in carrying out the CWO Enabling Project.</li> </ol> <p>For the purpose of this insurance coverage event:</p> <ul style="list-style-type: none"> <li>• <i>‘changed circumstances’</i> means movements in the relevant insurance market, including liability insurance, that are beyond the control of Transgrid, where those movements mean that it is no longer possible for Transgrid to take out an insurance policy or set of insurance</li> </ul>

<sup>5</sup> AER, *Final decision – Ausgrid – Hunter-Central Coast REZ non-contestable project 2026–31 – Appendix B – Adjustment mechanisms*, December 2025, p. 5.

Adjustment event	Description of adjustment
	<p>policies at all or on reasonable commercial terms that include some or all of the costs referred to in paragraph 2 above within the scope of that insurance policy or set of insurance policies.</p> <ul style="list-style-type: none"> <li>• 'costs' means the costs that would have been recovered under the insurance policy or set of insurance policies had: <ul style="list-style-type: none"> <li>– the limit not been exhausted, or</li> <li>– those costs not been unrecoverable due to changed circumstances.</li> </ul> </li> <li>• a relevant insurance policy or set of insurance policies is an insurance policy or set of insurance policies held during the regulatory control period or a previous regulatory control period in which Transgrid was regulated;</li> <li>• Transgrid will be deemed to have made a claim on a relevant insurance policy or set of insurance policies if the claim is made by a related entity of Transgrid in relation to any aspect of Transgrid's network or business; and</li> <li>• Transgrid will be deemed to have been able to make a claim on a relevant insurance policy or set of insurance policies if, but for changed circumstances, the claim could have been made by a related entity of Transgrid in relation to any aspect of Transgrid's network or business.</li> <li>• 'related entity' has the same meaning as Related Body Corporate, as defined in the Project Deed.</li> </ul> <p>Note: For the avoidance of doubt, in assessing an insurance coverage event through application under clause 6A.7.3(j) of EII Chapter 6A, the AER will have regard to:</p> <ol style="list-style-type: none"> <li>i) the relevant insurance policy or set of insurance policies for the event</li> <li>ii) the level of insurance that an efficient and prudent Network Operator would obtain, or would have sought to obtain, in respect of the event</li> <li>iii) any information provided by Transgrid to the AER about Transgrid's actions and processes, and</li> <li>iv) any guidance published by the AER on matters the AER will likely have regard to in assessing any insurance coverage event that occurs.</li> </ol>
<p>Insurer's credit risk event</p>	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from an insurer's credit risk event.</p> <p>An insurer's credit risk event occurs if an insurer of Transgrid becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, Transgrid:</p> <ul style="list-style-type: none"> <li>• is subject to a higher or lower claim limit or a higher or lower deductible than would have otherwise applied under the insolvent insurer's policy; or</li> <li>• incurs additional costs associated with funding an insurance claim, which would otherwise have been covered by the insolvent insurer.</li> </ul>

Adjustment event	Description of adjustment
	<p>Note: In assessing an insurer credit risk event revenue adjustment application, the AER will have regard to, among other things:</p> <ul style="list-style-type: none"> <li>i) Transgrid’s attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer’s track record, size, credit rating and reputation, and</li> <li>ii) in the event that a claim would have been covered by the insolvent insurer’s policy, whether Transgrid had reasonable opportunity to insure the risk with a different provider.</li> </ul>
<p>Natural disaster event</p>	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a Natural disaster event.</p> <p><i>‘Natural disaster event’</i> means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the regulatory control period that changes the costs to Transgrid in carrying out the CWO Enabling Project, provided the cyclone, fire, flood, earthquake or other event was:</p> <ul style="list-style-type: none"> <li>• a consequence of an act or omission that was necessary for the Network Operator to comply with a regulatory obligation or requirement or with an applicable regulatory instrument, or</li> <li>• not a consequence of any other act or omission of the Network Operator.</li> </ul> <p>Note: In assessing a Natural disaster event revenue adjustment application, the AER will have regard to, among other things:</p> <ul style="list-style-type: none"> <li>i) whether Transgrid has insurance against the event, and</li> <li>ii) the level of insurance that an efficient and prudent Network Operator would obtain in respect of the event.</li> </ul>
<p>Terrorism event</p>	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a Terrorism event.</p> <p><i>‘Terrorism event’</i> means an act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which:</p> <ul style="list-style-type: none"> <li>• from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear); and</li> <li>• changes the costs to Transgrid in carrying out the CWO Enabling Project.</li> </ul> <p>Note: In assessing a Terrorism event revenue adjustment application, the AER will have regard to, among other things:</p> <ul style="list-style-type: none"> <li>i) whether Transgrid has insurance against the event</li> </ul>

Adjustment event	Description of adjustment
	<ul style="list-style-type: none"> <li>ii) the level of insurance that an efficient and prudent Network Operator would obtain in respect of the event, and</li> <li>iii) whether a declaration has been made by a relevant government authority that a Terrorism event has occurred.</li> </ul>

## B.4 Adjustment mechanisms for EnergyCo contractual events

Transgrid’s proposal contained 4 adjustment mechanisms for ‘contractual arrangements with EnergyCo’ which includes adjustments for changes in Infrastructure Planner costs, early project development costs, contractual variations, and liquidated damages. We have changed the name of this category of event to ‘EnergyCo contractual events’ to ensure consistency with our recent 2026–31 revenue determination for the Hunter Central Coast Project.

In our final decision, we made the following minor changes to the descriptions of Transgrid’s adjustment mechanisms for EnergyCo contractual events:

- We standardised the names of Transgrid’s EnergyCo contractual events and the event names used in the definition for each adjustment event. This was done to reduce the confusion and enhance the readability of our determination.
  - The ‘Increases or decreases in Infrastructure Planner costs’ event has been standardised to the ‘Infrastructure Planner Cost Change’ event.
  - The ‘Recategorisation of early project development costs’ event has been standardised to the ‘Early Project Development Cost Recategorisation’ event.
- All ‘EnergyCo contractual events’ definitions – we have added wording to clearly identify the cost impacts flowing from the trigger events separate from the trigger events descriptions proposed by Transgrid.
- Infrastructure Planner Cost Change event and Contractual Variations event – we added the definition of ‘Variation’ to clarify the wording in the event.

Our final decision is to accept all 4 of these adjustment mechanisms for EnergyCo contractual events, along with the definitions in Table 4 in our final determination.

**Table 4 AER’s final decision on adjustment mechanisms for EnergyCo contractual events**

Adjustment event	Description of adjustment
Infrastructure Planner Cost Change event	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from an Infrastructure Planner Cost Change event.</p> <p>An Infrastructure Planner Cost Change event occurs where EnergyCo gives written notice to Transgrid under the Project Deed, directing a change to the costs payable by Transgrid and/or the dates the reimbursable costs become payable.</p>

Adjustment event	Description of adjustment
	<p>This adjustment event allows Transgrid to increase or decrease the Infrastructure Planner costs approved in its Revenue Determination to reflect the amounts advised by EnergyCo in its written notice. This includes adjustments for:</p> <ul style="list-style-type: none"> <li>■ [REDACTED]</li> <li>• costs incurred by EnergyCo relating to a Variation (or any costs saved due to implementing the Variation); and</li> <li>• any other change in Infrastructure Planner costs.</li> </ul> <p>'Variation' in the context of this event aligns with the definition in the Project Deed.</p>
<p>Early Project Development Cost Recategorisation event</p>	<p>An increase in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from an Early Project Development Cost Recategorisation event.</p> <p>An Early Project Development Cost Recategorisation event occurs where:</p> <ul style="list-style-type: none"> <li>• EnergyCo gives written notice to Transgrid directing a change in the amount to be paid by Transgrid relating to early project development activities; and</li> <li>• the change justifies a corresponding adjustment to reflect the recategorisation of Project-related costs.</li> </ul> <p>This adjustment event allows Transgrid to increase its approved capital expenditure for the CWO Enabling Project to account for the prudent and efficient costs to Transgrid of undertaking the development activities no longer captured under the scope of EnergyCo's early development activities, at the same time as decreasing the recoverable Infrastructure Planner costs.</p> <p>(Note: this requires an assessment by the AER for prudence, efficiency and reasonableness of the recategorised costs with reference to the relevant activities to be undertaken).</p>
<p>Liquidated Damages event</p>	<p>A decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a Liquidated Damages event.</p> <p>A Liquidated Damages event occurs where Transgrid is liable to pay liquidated damages for an upgrade completion stage to EnergyCo under the Project Deed.</p> <p>This adjustment event allows Transgrid to decrease its revenue by the amount of any liquidated damages payable by Transgrid under the Project Deed.</p>
<p>Contractual Variations event</p>	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a Contractual Variations event.</p> <p>A Contractual Variations event occurs where EnergyCo approves a Variation (as defined in the Project Deed) proposed by Transgrid and the costs implications of the Variation are known.</p>

Adjustment event	Description of adjustment
	This adjustment event allows Transgrid to increase or decrease its revenue to reflect the prudent, efficient and reasonable costs associated with the negotiation and carrying out of the Variation as directed by EnergyCo (including any cost savings arising as a result of the Variation being implemented).

## B.5 Adjustment mechanisms for BCSS-related events

Transgrid’s proposal contained 4 adjustment mechanisms for costs associated with Barigan Creek Switching Station (BCSS). They are:

- ‘Recovery of BCSS purchase price’ event
- ‘BCSS Purchase Price Adjustment’ event
- ‘BCSS incremental capital and operating expenditure’ event
- ‘BCSS replacement expenditure and operating expenditure annual true ups’ event.

Our final decision is to accept the first 3 adjustment mechanisms as reasonable and appropriate, as they relate to costs Transgrid would be required to incur if the BCSS asset was a part of its authorisation. However, we have not accepted the fourth adjustment ‘BCSS replacement expenditure and operating expenditure annual true ups’ event. Our reasoning is outlined in section 13.2.1 of our final decision document.

Additionally, in our final decision we made the following minor changes to the descriptions of Transgrid’s adjustment mechanisms for BCSS-related events:

- We standardised the names of Transgrid’s proposed adjustment mechanisms for BCSS-related events and the event names used in the definition for each adjustment event. This was done to reduce the confusion and enhance the readability of our determination.
  - The name of this adjustment event category has been changed from ‘costs associated with BCSS’ to ‘BCSS-related events’.
  - The ‘Recovery of BCSS Purchase Price’ event has been standardised to the ‘BCSS Transfer’ event.
  - The ‘BCSS incremental capital and operating expenditure’ event has been standardised to ‘BCSS Incremental Cost’ event.
- All ‘BCSS-related events’ definitions – we have added wording to clearly identify the cost impacts flowing from the trigger events separate from the trigger events descriptions proposed by Transgrid.
- BCSS Transfer event – we added the definition of ‘Completion Date of BCSS’ and ‘Purchase Price’, to clarify the wording in the event.
- BCSS Purchase Price Adjustment event – we added the definition of ‘Sale and Purchase Deed’, to clarify the wording in the event.
- BCSS Incremental Cost event – we added the definition of ‘Completion Date of BCSS’, to clarify the wording in the event.

- BCSS Incremental Cost event – we have removed text referencing the proposed ‘BCSS replacement expenditure and operating expenditure annual true ups’ adjustment event, which we have not approved. We have also clarified we will apply our standard capex and opex assessment criteria in approving any forecast expenditure for this adjustment event.

Our final decision on adjustment mechanisms for BCSS-related events is set out in Table 5.

**Table 5 AER’s final decision on adjustment mechanisms for BCSS-related events**

Adjustment event	Definition of the adjustment event
BCSS Transfer event	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a BCSS Transfer event.</p> <p>A BCSS Transfer event is triggered where:</p> <ul style="list-style-type: none"> <li>• the Consumer Trustee approves the transfer pursuant to clause 21 of the EII Regulation and</li> <li>• EnergyCo provides written notice advising the estimated Completion Date of BCSS and requests Transgrid to drawdown funds required to pay the Purchase Price.</li> </ul> <p>The terms ‘<i>Completion Date</i>’ of BCSS and ‘<i>Purchase Price</i>’ are defined in the Sale and Purchase Deed, which is defined in the BCSS Purchase Price Adjustment event.</p> <p>This adjustment event allows Transgrid to increase (or decrease) its revenue to reflect the costs associated with the transfer of BCSS, comprising:</p> <ul style="list-style-type: none"> <li>• the original purchase price and any GST payable</li> <li>• any applicable transfer duty payable by Transgrid on the purchase of BCSS, as determined by the NSW Office of State Revenue</li> <li>• legal and administrative costs associated with the transfer, including but not limited to costs associated with determining the appropriate duty outcome.</li> </ul>
BCSS Purchase Price Adjustment event	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a BCSS Purchase Price Adjustment event.</p> <p>A BCSS Purchase Price Adjustment event is triggered where EnergyCo provides Transgrid with written notice of a purchase price adjustment pursuant to the Sale and Purchase Deed.</p> <p>This adjustment event allows Transgrid to increase (or decrease) its revenue to reflect the costs of any purchase price adjustment (either negative or positive), as specified by EnergyCo in the written notice provided to Transgrid in accordance with the Sale and Purchase Deed.</p> <p>‘<i>Sale and Purchase Deed</i>’ means the deed titled ‘CWO REZ – Barigan Creek Switching Station Sale and Purchase Deed’ between Energy Corporation of New South Wales (EnergyCo), ACERZ Partnership and NSW Electricity Networks Operations Pty Ltd as trustee for NSW Electricity</p>

Adjustment event	Definition of the adjustment event
	Networks Operations Trust, trading as 'Transgrid' (Transgrid) dated 31 January 2025, as amended from time to time.
BCSS Incremental Cost event	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a BCSS Incremental Cost event.</p> <p>A BCSS Incremental Cost event is triggered where:</p> <ul style="list-style-type: none"> <li>• EnergyCo provides written notice advising the estimated Completion Date of BCSS (as defined in the Sale and Purchase Deed); and</li> <li>• the actual or forecast costs of incremental capital and operating expenditure for BCSS are known.</li> </ul> <p>This adjustment event allows Transgrid to recover the prudent, efficient and reasonable capital and operating costs for BCSS. This includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• capital expenditure related to the transfer and commissioning of BCSS</li> <li>• capital and operating expenditure for insuring BCSS (including during the commissioning period)</li> <li>• capital expenditure for replacement and modification</li> <li>• operating expenditure for ongoing management, operating and maintenance costs (including condition based/corrective maintenance)</li> <li>• other incremental capital expenditure and operating expenditure associated with BCSS.</li> </ul> <p>The AER will conduct its standard assessment of prudence, efficiency and reasonableness as part of this adjustment event in determining the appropriate adjustments to forecast capex and opex.</p>

## B.6 Adjustment mechanisms for other events

Transgrid's proposal contained 8 adjustment mechanisms for other events. These events are outside of Transgrid's control and cannot be reasonably mitigated, prevented or insured against. These adjustment mechanisms are:

- contractor force majeure
- unavoidable design and construct (D&C) contract variations
- biodiversity offset cost variances
- planning approval delays
- cancellation of planned outages by AEMO
- latent conditions
- compulsory acquisition easement costs
- legal challenges arising in the compulsory acquisition process.

In our final decision, we have accepted 7 of the 8 adjustment mechanisms (except the planning approval delays event) Transgrid proposed without any substantive amendments to the definitions of the events. We also accepted the adjustment mechanism for the ‘planning approval delays’ event but have updated the adjustment event definition based on Transgrid’s suggested refinement in its submission to our preliminary position paper.

The Planning approval delays event will now be triggered where the date of receipt of an Environmental Impact Statement (EIS) determination “materially impacts” Transgrid’s delivery schedule and the actual or forecast cost implications of the delay are known. We discuss our reasoning for this decision along with other changes we made from our preliminary position, in section 13.2.2 of our final decision document.

We made the following minor changes to the descriptions of Transgrid’s adjustment mechanisms for other events:

- All ‘other events’ definitions – we have added wording to clearly identify the cost impacts flowing from the trigger events separate from the trigger events’ descriptions proposed by Transgrid.
- We standardised the names of Transgrid’s proposed adjustment mechanisms for other events and the event names used in the definition for each adjustment event. This was done to reduce the confusion and enhance the readability of our determination.
  - The ‘Cancellation of planned outages by AEMO’ event has been standardised to the ‘Outage Cancellation’ event.
  - The ‘Compulsory acquisition easement costs’ event has been standardised to the ‘Compulsory Acquisition’ event.
  - The ‘Legal challenges relating to compulsory acquisition’ event has been standardised to the ‘Legal Challenges’ event.
- Contractor Force Majeure event – we corrected the reference to the contractor declaring ‘a force majeure’ to ‘a Force Majeure event’.
- Contractor Force Majeure event – we changed the reference to ‘of the construction contract’ to ‘of the D&C Contract’, to clarify the wording in the event.
- Contractor Force Majeure event – we changed the reference to construction costs incurred by Transgrid ‘during the construction phase’ to ‘during the construction phase of the CWO Enabling Project’, to clarify the wording in the event.
- Unavoidable D&C Contract Variation – we changed the reference to ‘the contract costs’ to ‘the D&C Contract costs’ to clarify the wording in the event.
- Unavoidable D&C Contract Variation event – we modified the wording of the final paragraph slightly for consistency with the other adjustment events.
- Planning Approval Delay event – we updated the description of this event in line with Transgrid’s submission to our preliminary position paper.<sup>6</sup>

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<sup>6</sup> Transgrid, *Submission on the Enabling Central-West Orana RNIP preliminary position paper - 2026-31 Revenue Proposal*, November 2025, p. 9.

- Compulsory Acquisition event – we changed the reference to the ‘Valuer General’ to the ‘Valuer General of New South Wales’, to clarify the wording in the event.
- Latent Condition event – we added the definition of ‘D&C Contractor’, to clarify the wording in the event.

Our final decision is to accept these 8 adjustment mechanisms for other events, along with their definitions presented in Table 6.

**Table 6 AER’s final decision on adjustment mechanisms for other events**

Adjustment event	Description of adjustment
<p>Contractor Force Majeure event</p>	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable construction costs Transgrid incurs from a Contractor Force Majeure event.</p> <p>A Contractor Force Majeure event occurs when the contractor declares a Force Majeure event under the D&amp;C Contract (as defined in the Project Deed) and the actual or forecast cost implications of that declaration are known.</p> <p>This adjustment event allows Transgrid to recover the prudent, efficient and reasonable additional construction costs incurred by Transgrid during the construction phase of the CWO Enabling Project as a result of an unforeseen Force Majeure event impacting the contractor where:</p> <ul style="list-style-type: none"> <li>• the costs are not covered by an existing insurance policy or adjustment event,</li> <li>• Transgrid has informed EnergyCo of the Force Majeure event consistent with the requirements of the Project Deed, and</li> <li>• the Force Majeure event is declared in accordance with the terms of the D&amp;C Contract.</li> </ul>
<p>Unavoidable D&amp;C Contract Variation event</p>	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable design and construction costs Transgrid incurs arising from an Unavoidable D&amp;C Contract Variation event.</p> <p>An Unavoidable D&amp;C Contract Variation event occurs where:</p> <ul style="list-style-type: none"> <li>• a change in the final design or construction methodology occurs and the cost implications are known; or</li> <li>• the D&amp;C Contract (as defined in the Project Deed) costs are higher or lower than the forecast amount accepted by the AER in relation to this Revenue Determination as a result of changes in the price of materials or labour rates allowed for under the D&amp;C Contract.</li> </ul> <p>Where this adjustment event occurs, the increase or decrease in revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable design and construction costs arising from the adjustment event is subject to a maximum cumulative adjustment cap of \$25 million (real, 2025–26) over the 2026–31 regulatory control period.</p>

Adjustment event	Description of adjustment
<p>Biodiversity Offset Cost Variance event</p>	<p>An increase or decrease in the revenue Transgrid may recover to accommodate the change in costs Transgrid incurs arising from a Biodiversity Offset Cost Variance event.</p> <p>The Biodiversity Offset Cost Variance event occurs where:</p> <ul style="list-style-type: none"> <li>• cost implications of the Project's biodiversity offsets are known, and</li> <li>• those costs differ from the amount accepted by the AER in its Revenue Determination.</li> </ul> <p>Where this adjustment event occurs, Transgrid is required to increase or decrease its allowable revenue to reflect the prudent, efficient and reasonable costs incurred in disposing of its biodiversity offset liability for the Project.</p>
<p>Planning Approval Delay event</p>	<p>An increase in the revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable costs Transgrid incurs arising from a Planning Approval Delay event.</p> <p>A Planning Approval Delay event occurs where:</p> <ul style="list-style-type: none"> <li>• the Environmental Impact Statement determination or subsequent approvals are delayed by more than 5 business days, materially impacting Transgrid's delivery schedule; and</li> <li>• the actual or forecast cost implications of the delay are known.</li> </ul> <p>This adjustment event allows Transgrid to recover prudent, efficient and reasonable costs associated with facilitating the planning approval delays, including any extension of time claim under the D&amp;C Contract. This could include, but is not limited to:</p> <ul style="list-style-type: none"> <li>• prolongation costs for the D&amp;C Contractor's work</li> <li>• prolongation costs for Transgrid's project management and environmental management resources, including any additional contractor or consultant support required during the Environmental Impact Statement delay period.</li> </ul> <p>For clarity, prudent, efficient and reasonable costs do not include costs Transgrid is able to effectively mitigate.</p>
<p>Outage Cancellation event</p>	<p>An increase in the revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable costs Transgrid incurs arising from an Outage Cancellation event.</p> <p>An Outage Cancellation event occurs where:</p> <ul style="list-style-type: none"> <li>• Transgrid had notified AEMO of a planned outage;</li> <li>• AEMO directs or instructs Transgrid to cancel the outage under the NER; and</li> <li>• actual or forecast cost implications associated with the cancelled outage are known.</li> </ul>

Adjustment event	Description of adjustment
	<p>This adjustment event allows Transgrid to recover prudent, efficient and reasonable costs associated with the cancellation of the planning outage.</p> <p>For clarity, prudent, efficient and reasonable costs do not include costs Transgrid is able to effectively mitigate, including by reordering works to mitigate the impacts of any outage cancellation.</p>
<p>Latent Condition event</p>	<p>An increase in the revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable costs Transgrid incurs arising from a Latent Condition event.</p> <p>A Latent Condition event occurs where:</p> <ul style="list-style-type: none"> <li>• the D&amp;C Contractor (as defined in the Project Deed) notifies Transgrid of a Latent Condition under the D&amp;C Contract, and</li> <li>• submits a claim for extension of time and/or costs associated with carrying out additional work, using additional construction plant or incurring extra costs (including the cost of delay or disruption), complying with requirements of the D&amp;C Contract, and</li> <li>• the actual costs associated with the Latent Condition are known.</li> </ul> <p>This adjustment event allows Transgrid to recover prudent, efficient and reasonable costs associated with addressing the latent condition, including any additional management costs to resolve any issues.</p>
<p>Compulsory Acquisition event</p>	<p>An increase in the revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable costs Transgrid incurs arising from a Compulsory Acquisition event.</p> <p>The Compulsory Acquisition event occurs where the Valuer General of New South Wales determines an amount for compulsory acquisition easement costs that exceeds the amount included in Transgrid’s base expenditure.</p> <p>This adjustment event allows Transgrid to recover prudent, efficient and reasonable costs associated with the compulsory acquisition of the necessary easement for the Project, including any legal, administrative or expert costs required to finalise the acquisition.</p>
<p>Legal Challenges event</p>	<p>An increase in the revenue Transgrid may recover to accommodate the change in prudent, efficient and reasonable costs Transgrid incurs arising from a Legal Challenges event.</p> <p>The Legal Challenges event occurs where:</p> <ul style="list-style-type: none"> <li>• a landholder/s does not accept the compensation offer determined in accordance with the process specified in legislation and lodges an appeal, and</li> <li>• actual or forecast costs associated with the legal proceedings required are known.</li> </ul> <p>This adjustment event allows Transgrid to recover prudent, efficient and reasonable costs associated with an appeal to the compulsory acquisition process.</p>