

27 March 2026

Scott Haig
Australian Energy Regulator
Level 27, 135 King Street
Sydney NSW 2000

Dear Mr Haig

Hunter Central Coast Renewable Energy Zone Network Infrastructure Project – 2026 Adjustment Proposal

On 12 November 2025, the Australian Energy Regulator (**AER**) issued its final decision in respect of Ausgrid's revenue proposal (**Revenue Proposal**) for the Hunter Central Coast Renewable Energy Zone Network Infrastructure Project (**HCC RNIP**) (**Revenue Determination**). The Revenue Determination included a set of adjustment mechanisms, being pre-defined circumstances that allow Ausgrid to request the adjustment of certain amounts set out in the Revenue Determination. The adjustment mechanisms were contained in Appendix B of the Revenue Determination.

We are writing to advise the AER that several adjustment events for the HCC RNIP have occurred, and we therefore submit this 2026 Adjustment Proposal for the HCC RNIP. The revenue impact of the adjustment events is \$15.9m (nominal, sum of quarterly payments) over the regulatory period.

The adjustment events that have occurred are:

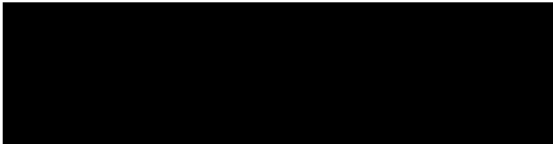
- Automatic adjustment mechanisms to update:
 - actual inflation and the return on debt for FY27; and
 - cost of equity to reflect the actual risk free rate based on the AER's approved averaging period for the HCC RNIP Revenue Determination,
- EnergyCo contractual compliance events, comprising:
 - the 'DSP IP Fee Adjustment' event; and
 - the 'Reduction in IP Fee due to reduced Technical Services Payments' event, (these two events net off to a zero adjustment)
- Procurement-induced cost uncertainty events, being 'Unavoidable Change in Contractor Costs' events, arising from:
 - increases in poles and conductor material costs above the base prices specified in Ausgrid's supply contracts, with pricing adjustments calculated in accordance with the contract pricing formula (total adjustment of ██████████ (nominal));

- increase in subcontractor Enterprise Bargaining Agreement (**EBA**) rates, leading to an increase in forecast cost under a major subcontract (total adjustment is [REDACTED] (nominal)); and
- increase in subcontractor costs under a major subcontract between Commitment Deed and final contract (total adjustment is [REDACTED] (nominal)).

Our detailed submission is set out in **Appendices A to D**, in which we note attachments that support our submission. We have also attached an updated capex model (**Attachment 5**), Electricity Infrastructure Investment Post Tax Revenue Model (**EII PTRM**) (**Attachment 6**) and Rate of Return Model (**Attachment 7**).

If you wish to discuss any aspect of this application, please contact Fiona McAnally, Head of Regulation, via fiona.mcanally@ausgrid.com.au.

Regards,



Timothy Jarratt
Group Executive, External Affairs and Strategy

Appendix A: Introduction

On 12 November 2025, the AER issued its final decision in respect of Ausgrid's revenue proposal for the HCC RNIP (the Revenue Determination). It covers the period from 1 July 2026 to 30 June 2031 (2026-31 regulatory period) and includes a set of adjustment mechanisms, being pre-defined circumstances that allow Ausgrid to request the adjustment of certain amounts set out in the Revenue Determination. The adjustment mechanisms were contained in Appendix B of the Revenue Determination.

The process for reviewing and approving revenue adjustments is largely set out in section 5.4 of the AER's *Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects (TET Guideline)*. Under this process, the adjustment framework operates as follows:

- **Annual submission:** Ausgrid may lodge an adjustment proposal with the AER by 31 March each year, being 63 business days prior to the start of the annual period in which the adjusted revenue will first apply.¹ The annual submission must be supported by evidence of any adjustment events, together with Ausgrid's proposed updates to the EII PTRM demonstrating the resulting revenue impact.²
- **AER compliance review:** The AER undertakes a compliance check against the adjustment provisions in the Revenue Determination and advises Ausgrid whether it agrees with the proposed adjustment, requires further information, or requires Ausgrid to amend and resubmit its proposal.
- **Decision and implementation:** The TET Guidelines state that the AER will endeavour to make its adjustment decision within 42 business days of receiving a compliant proposal. Following the AER's decision, Ausgrid will provide an updated quarterly payment schedule to the Scheme Financial Vehicle by 30 June. Any approved revenue adjustment will take effect from 1 July of the relevant year, or from the start of the next full quarter.³

In accordance with the requirements of the EII PTRM, we have expressed the proposed nominal adjustment values for each year of the regulatory period in real 2025-26 dollars.⁴

¹ AER, [Revenue determination guideline for NSW non-contestable projects](#), December 2025, p.31.

² Ausgrid, [HCC RNI Project for 2026-31 period, Attachment 8.1: Adjustment mechanisms](#), May 2025, p.2.

³ AER, [Revenue determination guideline for NSW non-contestable projects](#), December 2025, p.31.

⁴ Ausgrid, [HCC RNI Project for 2026-31 period, Attachment 8.1: Adjustment mechanisms](#), May 2025, p.2.

Appendix B: Routine administrative events

Our Revenue Determination includes a set of automatic adjustment events that apply on a routine, formulaic basis over the 2026-31 regulatory period. These events provide for administrative updates to key financial parameters, consistent with the AER's Rate of Return Instrument and standard regulatory practice. The AER characterised these automatic adjustments as 'routine administrative events' in its Revenue Determination.⁵

These routine regulatory adjustment events are:

- a **risk-free rate update**: a one-off update to reflect the averaging period of the risk-free rate applied in determining the return on equity;
- an **annual update for actual inflation**: an annual adjustment to reflect observed CPI outcomes consistent with the indexation framework in the determination; and
- a **return on debt update**: an annual update to reflect the prevailing return on debt parameters in accordance with the AER's methodology.

Adjustments for each of these routine administrative events have been incorporated into Ausgrid's updated EII PTRM (**Attachment 6**). Our calculations are set out in the Rate of Return Model (**Appendix 7**). Together, these adjustments increase revenue over the regulatory period by \$11.2m (nominal, sum of quarterly payments).

⁵ AER, [Final decision – Ausgrid – HCC REZ non-contestable project 2026-31 \(Appendix B\)](#), December 2025, p.2.

Appendix C: EnergyCo contractual compliance events

Overview

Expenditure on 'project development, planning and early works' can be incurred across three categories:

1. Technical services (within the IP Fee framework) – incurred prior to 31 October 2025;
2. Pre-Period Capex (outside the Technical Services framework) – incurred after 31 October 2025 but prior to 1 July 2026; and
3. FY27-FY31 regulatory period capex.

The adjustment events described below arise due to a rephasing of expenditure between the first two categories. Importantly, there is no change to total forecast expenditure, only a reallocation between categories of expenditure.

'DSP IP Fee Adjustment' event

- **Event has been triggered**

In section 5.4.8 of our revenue proposal, we forecast that the Ausgrid component of the IP Fee would be \$69.8m, being the amount which Ausgrid expects to incur on project development, planning and early works prior to reaching financial close. We noted that this amount was incorporated in the relevant categories of pre-period expenditure shown in chapter 5 of the proposal. This capex was approved by the AER in the Regulatory Determination as part of the overall approval of capex (see section 9.2 of the Regulatory Determination).

Ausgrid and EnergyCo agreed to close out the invoicing for project development, planning and early works (referred to in the Commitment Deed as the **Technical Services**) on 31 October 2025. On that date, the Technical Services costs incurred was \$31.6m and the Ausgrid component of the IP Fee was reduced to that amount. See **Attachment 1** for details. Accordingly, a DSP IP Fee Adjustment event has occurred and we have reduced the IP Fee in the revenue modelling.

'Reduction in IP Fee due to reduced Technical Services Payments' event

- **Event has been triggered**

However, there is an equal increase in the amount of capex that Ausgrid expects to spend on project development, planning and early works outside of the Technical Services framework (**Pre-Period Capex**). This is because the relevant works have been rephased beyond 31 October 2025, however, will still be spent within FY26. Accordingly, a 'Reduction in IP Fee due to reduced Technical Services Payments' event has occurred and costs adjusted to reflect the higher amount that Ausgrid expects to spend on Pre-Period Capex.

Both events

- **Cost impacts and evidence**

These two adjustment events net off and result in no cost impact. The rephasing of capex is shown in tab 'Supporting information' of the updated EII PTRM (**Attachment 6**).

- **Prudent, efficient and reasonable**

The AER assessed the prudence, efficiency and reasonableness of these costs in its final decision, and there is no net change to costs arising from these adjustment events.

Appendix D: Procurement-induced cost uncertainty events

Unavoidable Change in Contractor Costs event

Overview

This adjustment event allows Ausgrid to claim for an unavoidable change in contractor costs. The total adjustment claimed is a \$19.9m (nominal) increase in capex, which is a 3.2% increase on the current approved capex. If approved, this would lead to a \$4.7m increase (nominal, sum of quarterly payments) in revenue over the regulatory period.

1. Adjustment to materials costs for steel poles and conductor

- **Background**

This adjustment event allows Ausgrid to claim for movement in the prices for steel poles and conductor due to pricing adjustments calculated in accordance with contractually agreed pricing formulas. The pricing formulas were included in Appendix A of Attachment 8.1 of Ausgrid's Revenue Proposal.

- **Event has been triggered**

The adjustment event has been triggered because:

- Ausgrid has placed orders for [REDACTED] poles and [REDACTED] km of conductor; and
- the specified commodity and economic indicators have moved between the date of the base contract and the date of the order, resulting in higher prices.

- **Cost impacts and evidence**

The adjustment mechanism applies to both poles and conductor procured for the HCC RNIP:

- **Steel poles:** Ausgrid has ordered [REDACTED] poles, with an average price movement of [REDACTED] relative to the base contract price. The resulting adjustment claim is [REDACTED] (nominal).
- **Conductor:** Ausgrid has ordered [REDACTED] km of conductor, with an average price movement of [REDACTED] relative to the base contract price. The resulting adjustment claim is [REDACTED] (nominal).

The supporting information which evidences the commodity and economic indicators as well as the costs impact with reference to purchase orders is set out in **Attachment 2**.

- **Prudent, efficient and reasonable**

The supply contracts for poles and conductor were procured by Ausgrid through a competitive process. The pricing adjustment formulas allow the vendors to adjust pricing for specified commodity and economic indicators at the time the order is placed. This is considered efficient so that the vendors do not build this risk into upfront pricing. Prices for poles and conductor have been adjusted according to contractual pricing formulas as per the adjustment event documented in the revenue determination.

2. Adjustment to subcontract price as a result of uplift in EBA rates

• Background

This adjustment event allows Ausgrid to claim for an unavoidable change in the contract price for a subcontractor, including arising from a change to the EBA Rates and Conditions applicable to a Major Subcontractor. The Baseline EBA Rates and Conditions for the subcontractor were included in Table B-2 in Appendix B of Attachment 8.1 of Ausgrid's Revenue Proposal.

• Event has been triggered

Ausgrid's Revenue Proposal included a forecast cost for a major subcontract of ██████████ (nominal).⁶ The relevant subcontract is an NEC Engineering Construction Contract B, a priced contract with a "bill of quantities", hence, the forecast price is the product of the specified unit rates for particular activities and the forecast quantity of those activities. The forecast cost in the Revenue Proposal was the product of:

- unit rates underpinned by the *ETU New South Wales & ACT Transmission Enterprise Agreement 2024 – 2026* rates, as set out in Table B-2 in Appendix B of Attachment 8.1 of the Revenue Proposal; and
- the forecast bill of quantities as at May 2025.

In August 2025, the subcontractor notified Ausgrid that the *Infrastructure (NSW) Pty Ltd and ETU NSW ACT Electrical Supply Industry Agreement 2025-2028* rates had been agreed, and that the unit rates under the subcontract would increase to reflect the applicable EBA Rates and Conditions. These unit rates were agreed in the final subcontract executed by the subcontractor and Ausgrid in December 2025. Applying these new rates to the May 2025 forecast bill of quantities increases the forecast cost for the subcontract to ██████████ (nominal).⁷

• Cost impacts and evidence

The total adjustment is ██████████ (nominal), which is the increase in the forecast subcontract price from ██████████ to ██████████.

Attachment 3 is a summary showing the original and updated forecast cost for the subcontract, based on the unchanged May 2025 forecast bill of quantities. It also includes:

- Appendix 2, being the *ETU New South Wales & ACT Transmission Enterprise Agreement 2024 – 2026* rate card (which aligns with the rate card included in Table B-2 in Appendix B of Attachment 8.1 of the Revenue Proposal); and
- Appendix 3, being the *ETU NSW ACT Electrical Supply Industry Agreement 2025-2028* rate card (now applicable to the subcontract).

⁶ Ausgrid Revenue Proposal, page 19 of Attachment 5.2 (GHD Report).

⁷ Note that the forecast bill of quantities has been updated since May 2025 and will continue to be updated as the project progresses. Ausgrid may make a future adjustment event claim in respect of an updated forecast bill of quantities, or this may be incorporated in the delayed capex forecast adjustment process. Ausgrid has not submitted an updated forecast bill of quantities in this claim to allow the EBA rates uplift to be assessed on a stand-alone basis.

- **Prudent, efficient and reasonable**

At the time of awarding the subcontract (in December 2024), the subcontractor was in negotiations for the EBA Rates and Conditions. The subcontractor offered a contract price which was based on the draft rates existing at the time, however, reserved the right to increase its unit rates to reflect higher labour costs once the negotiations were complete. Ausgrid agreed to this proposal given the lengthy period of time in which the subcontractor was required to hold its unit prices to allow for the HCI RNIP Revenue Determination and Project Deed to be finalised. This was considered efficient so that the subcontractor did not build this risk into upfront pricing.

When the subcontractor provided its increased unit rates in August 2025, Ausgrid sought additional information to clarify how these had been impacted by the final EBA rates. We submit that it was reasonable for the subcontractor to apply an uplift in unit rates to reflect final EBA outcomes, and it was prudent, efficient and reasonable for Ausgrid to accept this uplift.

3. Adjustment to subcontract final price

- **Background**

This adjustment event allows Ausgrid to claim for an unavoidable change in the contract price for a subcontractor.

- **Event has been triggered**

Ausgrid's Revenue Proposal included a forecast cost for a major subcontract of ██████ (nominal).⁸ The relevant subcontract is an NEC Engineering Construction Contract A, which is a "fixed priced" contract with an activity schedule, i.e. a list of activities to be delivered within that price. This was the forecast of the fixed price at that time, based on the Commitment Deed executed between the subcontractor and Ausgrid in December 2024. The subcontractor pricing was developed based on concept-level design only, as Ausgrid was restricted from undertaking detailed site-specific investigations (e.g. geotechnical), and, therefore, limited to desktop surveys and preliminary investigations.

Throughout 2025, project early works included site investigations for the greenfield substations (Sandy Creek and Antiene) which informed Issued For Construction (IFC) designs. The subcontractor provided a revised contract price in October 2025 to reflect increased scope under the IFC designs. The increased scope was primarily driven by unfavourable ground conditions, resulting in a change to the earthwork (cut-and-fill) requirements and foundations for the substations.

Ausgrid engaged specialist project delivery consultants to perform an independent review and challenge of the revised contract price (see 'prudent, efficient and reasonable' section below). Ausgrid then challenged the subcontractor on their price uplift and, following this, the subcontractor reduced the amount of the uplift. Ultimately, the final contract price of ██████ (nominal) was issued in November 2025 and agreed.

- **Cost impacts and evidence**

The total adjustment is ██████ (nominal), which is the increase in the contract price from ██████ to ██████, as included in the final signed subcontract with the subcontractor. Attachment 4 contains an extract of the final subcontract which shows the contract price.

- **Prudent, efficient and reasonable**

At the time of awarding the subcontract (in December 2024), the parties acknowledged that the pricing was based on concept-level designs. Following the re-pricing based on IFC designs, Ausgrid engaged specialist project delivery consultants to perform an independent review and challenge of the change in contract costs. This included an independent calculation of the contract cost based on their own offtake quantities (from IFC designs) and independently sourced unit prices.

The review and challenge achieved a reduction in the revised contract price received in October 2025 by ██████ (█████ of the uplift). Following the price revision, the final price included in the signed subcontract was considered to be prudent, efficient and reasonable.

⁸ Ausgrid Revenue Proposal, page 24 of Attachment 5.2 (GHD Report).