

27 April 2026

Ms Kami Kaur  
Acting Executive General Manager  
Network Regulation

Australian Energy Regulator

*Submitted via email: [ResetCoord@aer.gov.au](mailto:ResetCoord@aer.gov.au)*

Dear Kami,

### **AER Consultation on Transgrid Project EnergyConnect Reopener Application**

Energy Networks Australia (ENA) welcomes the opportunity to make this submission in response to the Australian Energy Regulator's consultation on Transgrid's application to reopen its 2023–2028 Revenue Determination to recover prudent and efficient costs associated with the construction of Project EnergyConnect (PEC).

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

This submission is made on behalf of ENA's electricity Transmission Network Service Provider (TNSP) members. It focuses on the importance of a clear, predictable and principles-based regulatory approach to the assessment of prudent and efficient cost recovery under the existing framework, while maintaining investor confidence in the delivery of critical infrastructure for Australia's energy transition.

PEC is a nationally significant transmission project. Major interconnection projects such as PEC play an important role in supporting a reliable, secure and efficient National Electricity Market (NEM) and in enabling the transition to a lower-emissions electricity system at the lowest long term cost for consumers.

Large-scale infrastructure projects are inherently complex and face potential exposure to a range of risks, including supply-chain disruption, input cost escalation, financing pressures, labour market constraints and delivery risk over extended timeframes. In the case of PEC, however, these risks combined in an unprecedented and unforeseeable manner in combination with external factors that were beyond Transgrid's control, including::

- Widespread flooding across New South Wales in 2022–23 that disrupted construction access and works;
- the effects of the COVID-19 pandemic, including global supply chain disruption affecting key materials and equipment;
- record inflation and significant tightening in labour and materials markets;
- the insolvency and withdrawal of one of the project's original joint venture construction partners; and
- broader geopolitical impacts of the war in Ukraine on global commodity and input costs.

These factors were, individually and collectively, extraordinary in nature and scale and illustrate the kinds of external and delivery related pressures that can arise over the life of a major transmission project.

Transmission projects such as PEC are subject to AER scrutiny and approval at key stages, including an assessment of prudence and efficiency prior to construction. However, actual costs can change over time due to factors beyond the control of project proponents.

The reopener mechanisms in the National Electricity Rules (NER) address situations where costs are incurred in circumstances outside the reasonable contemplation of the original Contingent Project Allowance and subsequent revenue determinations (if applicable).

In ENA's view, a clear and predictable approach to the operation of reopener mechanisms is important to maintaining confidence that the end-to-end regulatory framework can accommodate genuinely efficient costs where qualifying circumstances arise, while preserving strong incentives for cost control and protecting consumers' long-term interests.

ENA notes that the regulatory framework as a whole relies on the credible prospect of cost recovery as an incentive for investment in essential infrastructure. Where unforeseen and uncontrollable events cause cost overruns of the magnitude experienced on PEC, a regulatory framework that cannot respond appropriately will erode the investment case for network infrastructure more broadly. This would be contrary to the long-term interests of consumers and the National Electricity Objective.

ENA therefore encourages the AER to apply a rigorous, evidence-based prudence and efficiency assessment to Transgrid's application, while maintaining confidence that the reopener framework will operate as intended where its conditions are satisfied.

The AER's final decision on Transgrid's reopener application will set an important precedent for how Australia's regulatory framework responds to cost overruns on major transmission projects. Allowing the end-to-end regulatory framework, including reopeners, to operate as intended helps preserve confidence that:

- Efficient and prudent costs will be recoverable
- Risks that cannot reasonably be anticipated or managed upfront are treated appropriately
- Australia remains an investable destination for long-dated, capital-intensive infrastructure.

As the energy transition accelerates, the NEM will require a substantial pipeline of large-scale transmission investment. Providing appropriate regulatory certainty for investors is a key enabler of the timely delivery of this infrastructure. An approach that introduces regulatory uncertainty and increases perceived investment risk may undermine future investment, increase financing costs, and ultimately increase long-term costs for consumers.

ENA urges the AER to ensure its final position on Transgrid's PEC reopener application is supported by clear reasoning, applies a consistent and principles-based approach, and reinforces confidence that the regulatory framework can respond appropriately to extraordinary external and uncontrollable cost increases.

If you would like to discuss this submission, please contact [REDACTED], Head of Transmission at [REDACTED]

Yours sincerely,

[REDACTED]

Dominic Adams

**Chief Operations Officer**