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Australian Energy Regulator
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Submission on Project EnergyConnect - application to reopen 2023-28 revenue determination

Nexa Advisory welcomes the opportunity to provide a submission on Transgrid's application to reopen its 2023–28 transmission revenue determination in relation to Project EnergyConnect (PEC).

Nexa is an advisory firm with an unwavering focus to accelerate the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

Nexa supports the delivery of nationally critical transmission projects on time and at least cost to consumers. PEC remains an important project for the National Electricity Market (NEM), and Transgrid's application continues to frame it as a critical interconnector for reliability, security, renewable energy integration and lower wholesale electricity costs - stating that despite the higher cost to complete, it is still expected to deliver approximately $964 million in net market benefits.

Nexa does not seek in this submission to relitigate the detailed contractual history of PEC or to take a position on each legal limb of Transgrid's re-opener claim. That is appropriately a matter for the AER's assessment under the National Electricity Rules. However, we do consider this application to be further evidence that the current framework remains too weakly oriented toward the outcome consumers actually need: major transmission projects delivered on time and on budget.

Individual project assessments are important, but they do not capture the full system cost of delays to key transmission projects which impact the broader energy transition. These impacts include delivery of replacement renewable generation capacity and storage, and are ultimately paid for by consumers through higher wholesale prices. For example, recent modelling undertaken by Nexa found that continued delays to transmission and the associated new renewable generation capacity could result in up to $115.7 billion in higher wholesale electricity costs by 2050[1].

In Nexa's view, the PEC cost blowout and delays are also a reminder that delivery capability and accountability matter. Where regulated monopoly transmission businesses do not have the experience, incentives or governance settings required to deliver major projects on time and on

[1] Nexa Advisory, Gas-fired Electricity Generation is a Bridge, Not a Destination, October 2025

budget, the current framework has too often allowed the downside to be socialised after the event.

Nexa urges the AER to use this opportunity not only to rigorously assess the PEC application, but also to reinforce the need for broader reform of the actionable ISP and transmission delivery framework. We consider these cost blowouts and delays reflect the weaknesses of the current regulatory framework – which has failed to hold Transgrid to account for timely and on-budget delivery.

Performance-based regulation for actionable transmission projects

We have previously discussed that this should include a stronger move toward performance-based regulation for major actionable transmission projects, so regulated proponents face clearer accountability for delivery against expected timing and cost outcomes - and so the downside for poor delivery performance is borne more clearly by proponents and investors rather than consumers and taxpayers[2].

Stronger delivery performance will require policy makers to progress complementary reforms beyond narrow cost assessment – including clearer governance and accountability settings for transmission delivery, greater use of contestability where feasible to sharpen delivery discipline, and more credible treatment of non-network and market-led alternatives on an equal footing with traditional augmentation. These reforms would ensure the regulatory framework does not default to delivery by incumbent transmission businesses, without sufficient performance accountability or robust comparison to alternative solutions.

We plan and then don't build

In Nexa's view, this application should not be considered in isolation. It is another live example of the widening gap between the timelines and budgets of major transmission projects as planned - and what is actually delivered. In our previous analysis of transmission timing, PEC was already identified as a project experiencing slippage relative to original timelines, alongside a broader pattern of delay across cornerstone ISP projects[3]. This has shown that cost escalation and schedule drift are no longer isolated events but are becoming systemic across transmission delivery (as shown below).

Project	Initial Cost Estimate (Year)	Current cost estimate (year)	First delivery date	First identified	Draft 2026 proponent timing (in-service)	Draft 2026 proponent timing (full capacity)	Indicative slippage (years)
Project EnergyConnect	$2.28 billion (TransGrid Contingent Project Application - 2020)	$4.1b (2024)	2025	2016	Oct 2026	Nov 2027	~1 (in-service); 2 (full)

The key concern for Nexa is that the current regulatory framework has not kept pace with the scale and urgency of the clean energy transition. As stated in our recent Marinus Link

[2] Nexa Advisory, Supercharging Transmission Buildout, September 2024
[3] Adapted from Nexa's *We Plan and then Don't Build* report (May 2024)

submission, the AER's current approach remains narrowly focused on assessing the prudency and efficiency of costs, rather than creating meaningful incentives and accountability for delivery performance[4]. This has contributed to a framework where major cost increases, project re-scoping, re-openers and ex post review mechanisms are dealt with after the fact, rather than through a system that more strongly disciplines timely and efficient delivery from the outset.

Economic assessment process and opportunities to improve

We have consistently raised that the RIT-T pathway is a sequential, project-by-project approval mechanism which is not fit for purpose during a transition period that requires coordinated, timely delivery[5]. In practice, this has contributed to excessive process duration, re-work and duplication (including repeated consultation stages) and weak treatment of the value of time, delivery risk and sequencing impacts. This is due to the RIT-T's steady-state design intent – which by design has minimised new regulated investment. This is poorly matched to the current transition task, which requires timely transmission buildout to connect replacement generation as thermal plant retires to maintain reliability at lowest cost.

Creating accountability for delivery performance through contestability

Nexa's position is that timely, on-budget delivery depends on governance and incentive settings that sit around the planning framework - including contestability and accountability mechanisms for transmission delivery.

Nexa's consistent position has been that contestability should be the default for large actionable projects where feasible, to sharpen delivery discipline and reduce the tendency to default to incumbent delivery models. In the NSW Transmission Planning Review[6], we supported embedding objective, upfront criteria (rather than ad-hoc tests) to determine when projects should proceed via contestable delivery, to reduce uncertainty and improve transparency for investors and proponents[7]. This criteria-based approach was intended to ensure non-contestable delivery is the exception, placing the onus on the planner/procurer to justify why competition should not apply.

A key governance issue under the current planning and delivery framework is that incumbent network businesses can influence both planning inputs and delivery outcomes, creating potential conflicts (and weakening incentives to actively pursue non-network and market-led alternatives). Nexa has argued that a more independent planning/procurement role is less likely to be biased toward over-investment ('gold-plating') and would also be better positioned to test non-network options.

The cost of transmission delays to consumers

This matters because the consumer consequences of transmission delay extend well beyond the network capex itself. Delayed transmission delivery results in higher wholesale electricity

[4] Nexa Advisory, AER Marinus Link Stage 1 Part B transmission determination, April 2025
[5] Nexa Advisory, Supercharging Transmission Buildout, Sep 2024
[6] Nexa Advisory, New South Wales Transmission Planning Review 2025, March 2025
[7] Nexa Advisory, Submission to New South Wales Transmission Planning Review Options Paper, May 2025

prices, greater reliance on higher-cost substitutes such as gas and ageing coal plant, weaker system resilience, and erosion of trust in the transition. Recent Nexa analysis found that increased dependence on gas for firm electricity generation - resulting from continued delays to transmission and renewable generation - could result in up to $115.7 billion in higher wholesale electricity costs by 2050 compared with an orderly transition[8].

These costs must be more clearly reflected by market bodies – namely by AEMO through the Integrated System Plan. The ISP should better identify this cost of delays, including the system-wide consequences of delayed transmission, generation and storage build. A least-cost plan on paper will not translate into least-cost outcomes if delivery falters, sequencing slips, or substitute pathways are not developed early[9].

Concluding remarks

The current PEC application is therefore significant not only because of its size, but because of what it signals. PEC remains an important transmission project - but the fact that a project remains strategically important cannot become a reason to tolerate a regulatory framework that repeatedly socialises delivery failure after the event. Consumers need more than prudent cost assessment once delays and blowouts have occurred. They need a framework that creates stronger incentives, transparency and accountability for building the transmission system the transition depends on - on time, on budget and with a clearer line of sight to consumer value.

Thank you for the opportunity to provide input on this application. We welcome the opportunity to discuss any aspect of this submission further - please contact either myself [redacted] or [redacted], Director - Policy and Analysis, [redacted]

Yours sincerely,

Stephanie Bashir
CEO and Principal
Nexa Advisory

[8] Nexa Advisory, Gas-fired Electricity Generation is a Bridge, Not a Destination, October 2025
[9] Nexa Advisory, Submission to AEMC Review of the ISP Framework, February 2026