

Monday, 31 March 2025

[REDACTED]
Australian Energy Regulator
23 Marcus Clarke Street
Canberra, ACT 2601

[REDACTED]
[REDACTED]
2026 Enabling CWO RNIP Non-contestable Adjustment Proposal

The AER accepted annual adjustments for the risk free rate, actual inflation return on debt and latent conditions in their final Enabling Central-West Orana Renewable Energy Zone Network Infrastructure Project (Enabling CWO RNIP) non-contestable final decision. The AER's Transmission Efficiency Test and revenue determination guideline for NSW non-contestable network guideline requires us to submit our adjustment proposal to the AER by 31 March 2026.

PTRM Update

We have prepared an updated PTRM that incorporates adjustments for the:

- **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.

- **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.¹

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.

¹ AER Guidance note - Amendments to NER PTRM for determinations under the Electricity Infrastructure Investment Act and Regulations, November 2024

- **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.

- **Latent condition event**

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. A Latent Condition event occurs where:

- *the D&C Contractor (as defined in the Project Deed) notifies Transgrid of a Latent Condition under the D&C Contract, and*
- *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&C Contract, and*
- *the actual costs associated with the Latent Condition are known.*

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.

Our proposed adjustments are described in Table 1 below. Our updated PTRM and support for the latent conditions adjustment are included as attachments.

Table 1 identifies the specific changes that we have made to the Enabling CWO RNIP PTRM. We started with the AER's final decision PTRM, before then stepping through each of the updates noted in the table.

Table 1: Updates made to the WSB PTRM

Adjustment	Cell reference	Value	Explanation
2026-31 risk free rate	Not applicable	4.82% (previously 4.27%)	By applying the approach set out in the 2022 Rate of Return Instrument (RORI), we estimated a RfR of 4.82%, consistent with the AER staff expectations.
2026-31 return on equity	G491, <i>PTRM input sheet</i>	8.54% (previously 7.99%)	The return on equity for 2026-31 was updated to reflect the risk-free rate (RfR) estimated over the agreed observation period. This translates to an updated return on equity of 8.54%
2026-27 return on debt	G496, <i>PTRM input sheet</i>	6.06% (previously 5.52%)	The return on debt for 2026-27 was updated to reflect the return on debt observation estimated over the agreed observation period. We estimated a return on debt of 6.06%, consistent with the AER staff expectations, by applying the approach set out in the 2022 RORI. This update was allowed for as an explicit adjustment mechanism included in the AER's final decision. ²

² AER, Final Decision – Enabling Central-West Orana RZ Network infrastructure project – 2026-31 final decision, Confidential Appendix B Adjustment mechanisms, January 2026, pp.66.

Adjustment	Cell reference	Value	Explanation
			Consistent with past AER decisions, we have left the trailing average return on debt values for 2026-27, 2027-28, and 2028-29 unchanged.
2026-27 actual inflation	G60, <i>Revenue and payments</i> sheet	3.76% (previously empty)	Actual inflation for 2026-27 was calculated as the change in CPI from December 2023 to December 2024 using data published by the ABS. This gives a value of 3.76%. This update was allowed for as an explicit adjustment mechanism included in the AER's final decision. ³
Latent condition event	As incurred capex, G61:G110, PTRM input sheet As commissioned capex, G223:I272, PTRM input sheet	\$116,710 (\$Dollars, Real 2025-26)	This update was allowed for as an explicit adjustment mechanism included in the AER's final decision. ⁴ We consider this adjustment has been triggered because: <ul style="list-style-type: none"> the D&C Contractor - Zinfra (as defined in the Project Deed) has notified Transgrid of a Latent Condition under the D&C Contract, and submitted 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&C Contract, and the actual costs associated with the Latent Condition are known.

We would be happy to discuss this issue further with the AER and address any further concerns you may have with our 2026-27 Quarterly Payments Update. Please contact [REDACTED]

Yours sincerely

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³ AER, Final Decision – Enabling Central-West Orana RZ Network infrastructure project – 2026-31 final decision, January 2026, Confidential Appendix B Adjustment mechanisms, pp.66.

⁴ AER, Final Decision – Enabling Central-West Orana RZ Network infrastructure project – 2026-31 final decision, January 2026, pp.66.

Appendix A: Attachments supporting our Adjustment Proposal

Attachment	Name	Content / purpose
Compliance Documents		
A.1	Confidentiality claims	This details the matters for which we are claiming confidentiality.
A.2	Statutory declaration	A statutory declaration made by our Company Secretary on 30 March 2026 attesting that the information provided in this Adjustment Proposal is consistent with the AER's Final Decision and the contractual arrangements.
Models		
M.1	PTRM	This model has been updated to reflect the adjustments noted above.
B.2	Capex Forecast Model	This model has been updated to reflect the latent condition adjustment noted above.
Latent condition Claim		
C.1	Contract Variation Claim – Latent Condition	This is the Request for External Approval of a Contract Variation relating to latent conditions, dated 19 November 2025, and executed by Zinfra and Transgrid on 20 and 28 November 2025, respectively. The latent condition related to the identification of very high strength rock and water seepage.