2026 Non-contestable Adjustment Proposal

Transgrid Waratah Super Battery

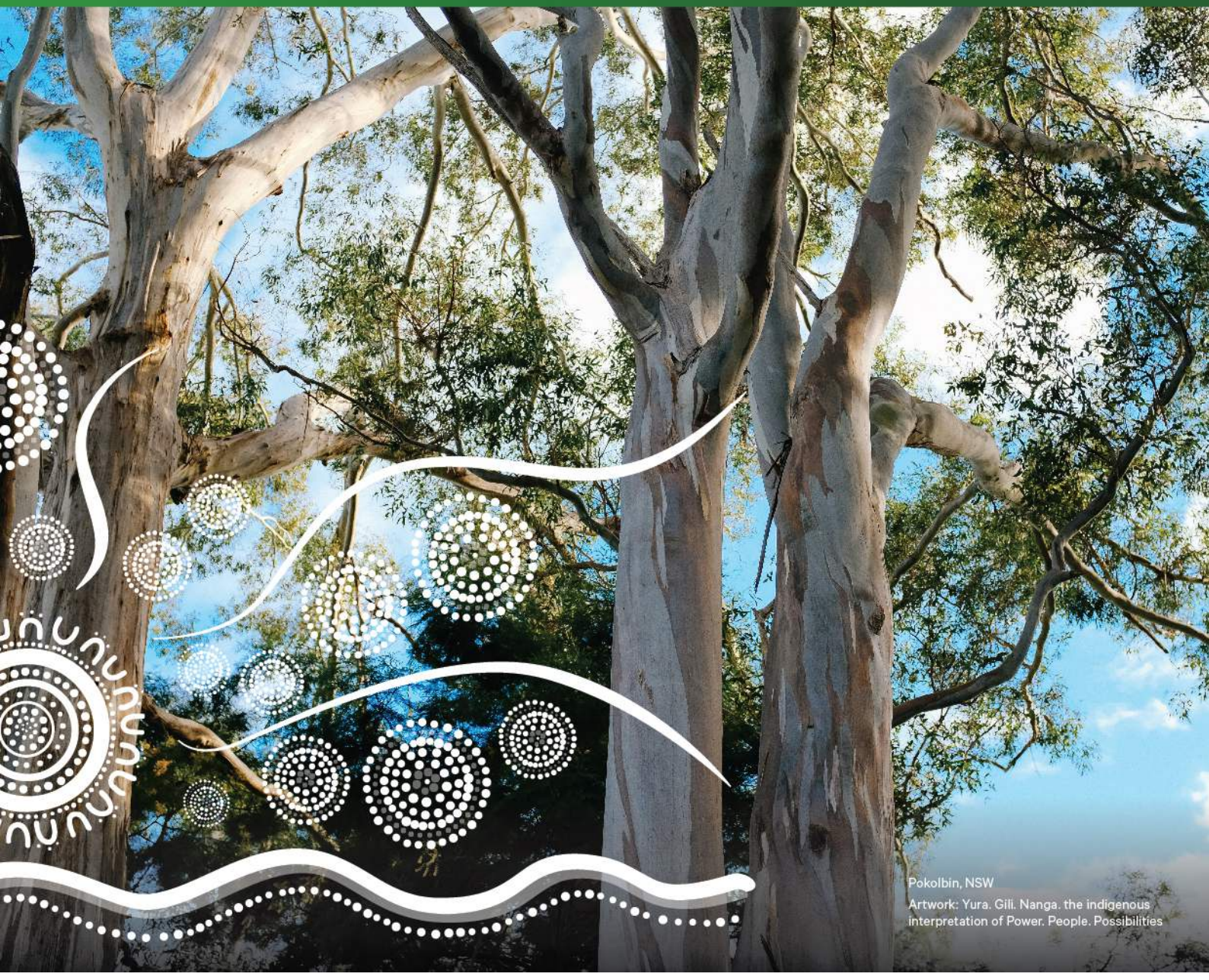
31 March 2026

Contents

Acknowledgement of Country

In the spirit of reconciliation, the Transgrid Group acknowledges the Traditional Custodians of the lands where we work, the lands we travel through and the places in which we live.

We pay respect to the people and Elders past and present, and celebrate the diversity of Aboriginal and Torres Strait Islander peoples and their ongoing connections to the lands and waters of NSW and the ACT.



Pokolbin, NSW
Artwork: Yura. Gili. Nanga. the indigenous interpretation of Power. People. Possibilities

1. Project context

1.1. Background

The Waratah Super Battery Project (WSB Project) comprises:

- Contestable elements which are the procurement of the System Integrity Protection Scheme (SIPS) Service and the Paired Generation Services
- Non-contestable elements which involved augmentation of our existing transmission network (transmission lines and substations) and the installation of a SIPS control and communications systems which is now complete.

This Revenue Adjustment Proposal relates to WSB non-contestable for which Transgrid, as the Network Operator for the WSB Project submitted a Revenue Proposal to the Australian Energy Regulator (AER) on 30 June 2023 for the regulatory period commencing 1 July 2024 and ending 30 June 2029 (2024-29).

Following the AER's draft decision on 29 September 2023, Transgrid submitted our revised revenue proposal on 2 November 2023.

On 15 December 2023, the AER released its final decision which was remade on 19 June 2024 due to a material error being identified in the December 2023 decision, which was the omission of an adjustment mechanism to carry out the AER's intention to update the return on equity if required. The remade decision includes an additional adjustment mechanism to update the return on equity.

The AER's Final Determination for WSB Project (non-contestable) includes adjustment mechanisms that allow Transgrid to request the adjustment of any amount set out in the Final Determination. These mechanisms are intended to accommodate material changes in our costs that can occur during the regulatory period. We are required to submit an updated Post-Tax Revenue Model (PTRM) to the AER by 31 March each year, incorporating any adjustments for events occurring in the prior year allowing revised revenue to commence from 1 July.

Transgrid submitted updated PTRMs to the AER in March 2024 and March 2025 to adjust quarterly payments for return on equity (2024 only), return on debt and actual inflation. These adjustments were accepted by the AER.

1.2. About this Revenue Adjustment Proposal

This Revenue Adjustment Proposal is seeking adjustment to the amount payable to Transgrid in relation to the non-contestable component of the WSB project as we consider the following approved automatic and non-automatic adjustment mechanisms have been triggered:

- Automatic adjustment mechanisms – annual updates to revenue for actual inflation (adjustment event 11) and the allowed rate of return (adjustment event 12)
- Non-automatic adjustment mechanisms – Paired Generator Costs (adjustment event 14) and Unavoidable contract variations (adjustment event 15).

This proposal contains:

- Adjusted revenue and adjusted payment schedule for the 2024-29 regulatory control period

- Evidence supporting the proposed adjustments – including details of inputs into the revenue adjustment mechanisms and supporting evidence.

1.3. Structure of this Revenue Proposal

This Revenue Proposal is structured as follows:

- Chapter 2 details our automatic adjustments for actual inflation and return on debt
- Chapter 3 details our non-automatic adjustment for unavoidable contract variations
- Chapter 4 details our non-automatic adjustment for the additional costs to connect White Rock Wind Farm
- Chapter 5 and 6 details our adjusted payment schedule and adjusted revenue
- Chapter 7 provides the combined impact of all the adjustments on debt and equity raising costs
- Chapter 8 details other matters which provides information on our approach to confidential information, the certification we must provide, how we have complied with the AER's final decision and guideline as well as reference to supporting attachments.

1.4. Conventions

In this Revenue Proposal, unless otherwise specified:

- historical and forecast expenditure is presented in end-year (to 30 June) real 2023-24 dollars
- all dollars for regulatory years:
  - up to and including January 2026 are actuals
  - February 2026 onwards is forecast
- negative figures are presented in brackets, and
- our revenue building-blocks from the post-tax revenue model (PTRM) are presented in end-year (to 30 June) nominal dollars.

Totals presented in tables may not add due to rounding.

All figures and tables have been prepared from material sourced by us, unless otherwise specified.

Our forecast expenditure in this Revenue Proposal relates to *Electricity Infrastructure Investment Act* (EII Act) services only. The allocation of costs to these services is in accordance with our Cost Allocation Methodology (CAM).

2. Automatic Adjustments

The AER's WSB non-contestable decision includes the following automatic adjustment events:

- Annual updates to revenue for actual inflation (adjustment event 11) which is defined as:

  The actual inflation is the percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index (CPI), All Groups, Weighted Average of Eight Capital Cities, from December in year t-1 to December in year t-2.

- Return on debt update to the allowed rate of return (adjustment event 12) which is defined as:

  Updated 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.

We have prepared an updated PTRM that incorporates adjustments for the return on debt and actual inflation, as described in the AER's final decision for WSB (non-contestable). Table 2-1 identifies the specific changes that we have made in the updated WSB PTRM. We started with the version approved by the AER for the 2025-26 payments update, before then stepping through each of the updates noted in the table.

Table 2-1: Updates made to the WSB PTRM

Adjustment	Cell reference	Value	Explanation
2026-27 return on debt	I496, *PTRM input* sheet	6.07% (previously 6.37%)	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 6.07%, consistent with the AER staff expectations, by applying the approach set out in the 2022 Rate of Return Instrument (RORI). This update was allowed for as an explicit adjustment mechanism included in the AER's final decision.[1] Consistent with past AER decisions, we have left the trailing average return on debt values for 2027-28, and 2028-29 unchanged.
2026-27 actual inflation	I60, *Revenue and payments* sheet	3.76% (previously empty)	Actual inflation for 2026-27 was calculated as the change in CPI from December 2024 to December 2025 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.2 This aligns with the regulatory requirements where the AER's decision for the 2023-28 regulatory period describes that the allowed revenues should be increased by the change in CPI being: "The annual percentage change in the ABS Consumer price index all groups, weighted average of eight capital

[1] AER, Final Decision – Transgrid Waratah Super Battery (non-contestable), December 2023, pp.33–34.
[2] AER, Final Decision – Transgrid Waratah Super Battery (non-contestable), December 2023, pp.33–34.

Adjustment	Cell reference	Value	Explanation
			cities from December in year t – 2 to December in year t – 1” This requirement makes clear that the relevant measure is the point-to-point change in the CPI from December to December. The ABS recently rebased the CPI, setting the September 2025 monthly index to 100, and now publishes both monthly and quarterly CPI series. From the December quarter 2025, quarterly CPI values are calculated as the average of the three constituent monthly index values, as noted by the ABS. As a result, comparing quarterly CPI values for December 2025 and December 2024 would measure the average change across the October, November and December 2025 months, rather than the required point-to-point change between December 2024 and December 2025. Accordingly, the monthly CPI series has been used, as it most accurately reflects the December-to-December inflation measure required by the revenue adjustment framework. Use of the quarterly CPI series would not achieve this outcome, as it is based on averaged index values.

3. Unavoidable Contract Variations Adjustment

The AER's Final Determination for WSB non-contestable includes an approved adjustment mechanism for unavoidable contract variations (adjustment event 15), defined as:

> *An increase or decrease in the revenue Transgrid may recover to accommodate the additional costs Transgrid incurs from an unavoidable contract variation.*
>
> *The unavoidable contract variation adjustment mechanism is the change in prudent, efficient, and reasonable design and construction costs to Transgrid from the following trigger events:*
>
> *(i) a change in the final design occurs and the cost implications are known, or*
>
> *(ii) a change in the civil works costs is higher (or lower) than the forecast amount accepted by the AER in relation to the revenue determination,*
>
> *up to a maximum cumulative adjustment of $30 million (real, 2023) over the regulatory period.*

We consider this adjustment event is now triggered for both trigger events as there have been changes in the final design and civil works and cost impacts are known.

As a result of efficient and effective design process and cost control, Transgrid has achieved an overall $1.7 million reduction in capital expenditure (capex) relative to the expenditure accepted by the AER. The final design and civil works costs reflect all agreed variations for the following contracts and events:

- Design and Construction (D&C) contracts for transmission lines and substations with [redacted] – Changes arising from the detailed design process, after submission of Transgrid's revenue proposal, resulted in a net $2.6 million reduction in final design costs due to a larger decrease in anticipated scope of substation works compared to the increased scope of transmission line works.
- Provision of underground fibre optic (UGFO) works under the contract with [redacted] – The UGFO installation was required for the SIPS security of operation to provide a second communications path between the Metz Solar Farm (a paired generator for the SIPS and our Armidale substation). The works were subject to several contract variations arising from civil latent conditions, including unexpected rock encountered along the route, resulting in an additional $0.9 million in civil works costs.

Table 3-1 summarises the unavoidable contract variations, categorised by substation and transmission line design changes and civil works:

Table 3-1: Unavoidable contract variation breakdown ($'000 Real 2023-24)

Unavoidable contract variation	Total
Design	
Substation	(9,105.8)
Transmission Lines	6,510.2
Civil works	933.8
Total	**(1,661.8)**

4. Paired Generation Costs Adjustment

The AER's Final Revenue Determination for WSB non-contestable includes an approved adjustment mechanism for Paired Generation Costs (adjustment event 14), defined as:

> *An increase or decrease in the revenue Transgrid may recover to accommodate the additional costs Transgrid incurs from paired generation event.*
>
> *The Paired Generation mechanism provides for the prudent, efficient, and reasonable cost impact to Transgrid of the following trigger events (a paired generation event):*
>
> – *A further procurement process for Paired Generation Services is completed, or*
>
> – *The Infrastructure Planner selects a new generator to provide Paired Generation Services.*
>
> *The adjustment is to include Transgrid's prudent, efficient, and reasonable costs associated with:*
>
> (a) *Participating in the tender administration process (if the trigger event is the completion of a further procurement process),*
>
> *(b) The contract administration process, and*
>
> *(c) The connection of additional generators to the System Integrity Protect Scheme.*

EnergyCo has since completed a further competitive procurement process, identifying White Rock Wind Farm Pty Ltd (ACN 153 592 173) (WRWF) as the fourth Paired Generation Provider and requested Transgrid to:

- Execute the Paired Generation Service Agreement (PGSA) with WRWF which was executed on 10 December 2025.
- Commence non-contestable enabling works ahead of the AER's adjustment decision.

On 8 December 2025, the AER advised EnergyCo in writing that it had completed its review of the competitive assessment process for the Waratah Super Battery Project – Paired Generation Tender Round 3 and considered the process to be genuine and appropriate.

4.1. Scope of Enabling Works for the Fourth Paired Generation Service Provider

The additional Paired Generator is in the New England region. The non-contestable enabling scope of works involves constructing a new 48-core Under Ground Fibre Optics (UGFO) cable of approximately 22km to enable communication links between the following locations:

Sapphire Wind Farm 330kV Substation

- Connect the new 48-core fibre optic cable into the existing TL8C UGFO joint box, which is already connected to the Sapphire substation.
- Complete splicing and testing of all fibre cores.
- Minor communication upgrades involving addition of multiplex or cards in existing panel.

White Rock 132kV Substation

- Supply and installation of a pit in the public area outside the premises and install 48 core fibre optic cable.
- Install 48 core UGFO cable to the existing communications room.
- Complete splicing and testing of all fibre cores.
- Modify existing control and protection panels, install additional control and protection panels, and commission the system to enable SIPS communication at the paired generator substation.
- Install new multiplexor rack to upgrade the communication system.

Armidale 330kV Substation, Kemps Creek 330kV Substation and Inverell 132kV Substation

- Undertake minor modification of the secondary systems to enable SIPS communication.
- Undertake minor communication upgrades involving addition of multiplexor cards in existing panel.

The communications link will enable the SIPS control scheme to manage network overloads through controlled dispatch and run-back of the WRWF paired generator when required.

4.2. Incremental Capital Expenditure

We propose an incremental increase of $21.7 million to our 2024-29 capital expenditure (capex) allowance to recover the costs associated with connecting the WRWF to the SIPS infrastructure. Our proposal is limited to the incremental costs attributable to the addition of the fourth PG Provider and does not revisit or reopen costs previously assessed and approved by the AER.

Our capex forecast for these works is materially impacted by specific delivery challenges, risks and regulatory constraints associated with connecting WRWF, including the following:

- The delivery timeframe required to support WRWF in achieving its Target Commercial Operation Date of June 2027 under the PGSA necessitates that we mobilise appropriately skilled resources and maintain sufficient resource capacity to deliver the enabling works and meet our contractual obligations within a compressed delivery program.
- Escalating property access risks affecting route development for the UGFO cable, which create uncertainty in landowner and stakeholder engagement, property access negotiations and potential landholder costs, which in turn affect construction sequencing, design finalisation and overall delivery

risk. Our forecast therefore incorporates reasonable allowances for these evolving constraints and includes targeted risk provisions where appropriate (refer to Other Construction Cost section below).

- The need to submit this adjustment proposal by the end of March 2026 to ensure the relevant adjustment mechanism is provided to the AER within the applicable regulatory timeframe and to provide certainty as to the cost recovery pathway.

These factors required us to balance our ability to recover costs with ensuring consumers are not exposed to costs beyond what is reasonably necessary to deliver the connection. The forecast therefore reflects the current level of design maturity and delivery risk, including a targeted risk cost allowance and recognition that the UGFO D&C contract is not yet fully finalised pending confirmation of the final route.

While our preference would be to submit this adjustment proposal as part of the 2026-27 annual adjustment process, when costs could be estimated with greater certainty, it is not clear that this would be permitted by the AER's Final Determination for the WSB Project (non-contestable). Accordingly, we have prepared this proposal based on the best information currently available to ensure the adjustment mechanism is engaged within the required timeframe.

Accordingly, our forecast incremental capex for 2024-29 regulatory period is $21.7 million (excluding equity raising costs) is comprised of:

- $10.3 million labour and indirect costs comprising:
  - $6.2 million for labour and labour related costs to cover project management, community & stakeholder engagement, property, SIPS implementation & control and other support & corporate roles. These are based on month-by-month incremental full time equivalent (FTE) requirements for each role applying the hourly rate for each role and travel costs (including accommodation, meal allowances and other expenses) in accordance with Australian Tax Office (ATO) guidelines.
  - $4.1 million indirect costs such as insurance, specialist environmental consulting advice and property acquisition costs (consent to enter fees, make good compensation, valuations and external legal fees). These are based on existing supplier arrangements and quotes costs include insurance premiums and environmental specialist consulting costs.
- [redacted] million tendered works for the UGFO D&C contract
- $6.7 million for Other Construction Costs (OCC) derived using a bottom-up approach to quantify identified risks for the risk allowance
- [redacted] million equipment costs relating to secondary system and SIPS equipment based on rates from existing panel agreements and equipment prices from comparable past projects.

Table 4-1 sets out our incremental annual and total capex forecast for the 2024-29 regulatory period for the connection of the fourth provider. Appendix A provides a detailed description of the incremental operating costs for the project.

Table 4-1 Total forecast capex for WRWF by capex category, including pre-period capex ($'000, Real 2023-24)

Category	Historical		Forecast		Total 2024-29	
	2025-26 (to 31 January 2026)	2025-26 (from 1 February 2026)	2026-27	2027-28	2028-29	
SIPS control	-	-	11,443.3	-	-	**11,443.3**
D&C	-	-	[redacted]	-	-	[redacted]
Equipment	-	-		-	-	
OCC	-	-	6,677.3	-	-	**6,677.3**
Labour and indirect costs	**233.0**	**1,781.9**	**8,051.3**	**223.8**	**-**	**10,290.0**
Real input costs	-	(3.0)	(15.3)	-	-	**(18.3)**
Total (excluding equity raising costs)	**233.0**	**1,778.8**	**19,479.4**	**223.8**	**-**	**21,715.0**

4.2.1. Labour and indirect costs

Our forecast labour and indirect costs reflect the incremental internal effort required to plan, manage and deliver the enabling works based on a challenging delivery environment. Resource requirements have been mapped to defined project roles and aligned to the expected delivery program.

The forecast reflects the minimum efficient resourcing necessary to manage property access, contractor oversight, SIPS implementation, stakeholder engagement and contractual obligations.

4.2.1.1. Delineation of Responsibilities Between Transgrid and the D&C Contractor

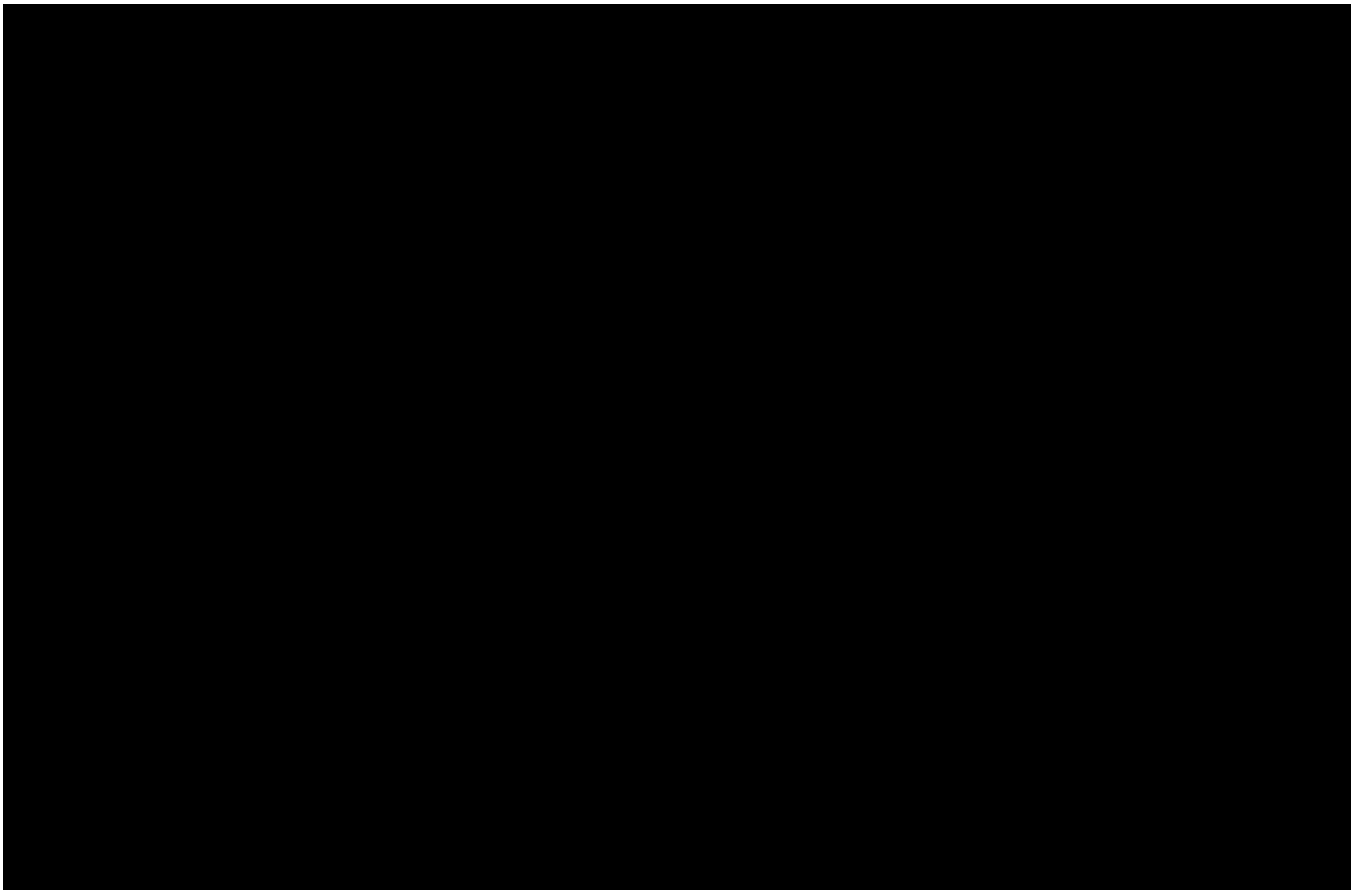
Transgrid's internal responsibilities are distinct from, and not duplicated by, our D&C contractor's scope. The D&C contractor's role is limited to the design and installation of the UGFO works.

Accordingly, we retain responsibility for:

- overall project governance, which includes cost control, schedule management and stakeholder management
- construction and site management, which includes outage coordination, resource planning and contractor supervision
- detailed design and implementation of SIPS control and associated augmentation work for WRWF
- installation and commissioning of the SIPS control, and
- integration of the communications link into Transgrid's existing operational network.

These activities are necessary to ensure that integration of WRWF into the existing SIPS infrastructure is undertaken safely, reliably and in compliance with our operational and contractual obligations. They reflect functions that appropriately remain with us as the transmission network operator and are not capable of being transferred to the UGFO D&C contractor.

4.2.1.2. Property access and Community & Stakeholder Engagement (CSE)



Where early access cannot be negotiated, both teams will escalate through the statutory Local Access Activity Notice (LAAN) pathway under the Telecommunications Act 1997. Together, these activities create a coordinated, legally robust and relationship-centred process that enables us to secure timely access for survey, geotechnical, environmental and construction activities across the WRWF cable corridor.

4.2.1.3. Other support & Corporate Roles

A range of internal support and corporate functions will support delivery of the project, including engineering and design, health and safety, environmental assessments and approvals (including stakeholder consultation), legal and risk management, and network operations.

Additional support will be provided through contract management of the Paired Generation Services Agreement with WRWF, procurement activities to support the tender process and ongoing contract administration, and regulatory approvals to support preparation of the revenue adjustment proposal.

4.2.2. Under Ground Fibre Optics (UGFO) D&C contract

We are undertaking a competitive tender process for the UGFO works, receiving two responses from suppliers, of which one was assessed as technically feasible at the time of evaluation. An initial tender

evaluation was completed to identify a preferred tenderer based on the technically feasible response; however, the tender process has not been finalised. Subsequent landholder engagement identified a materially longer route, which materially changed the scope and rendered the initial tender outcomes no longer representative. As a result, revised bids will be sought once the final route is confirmed. In the interim, the cost estimate for the UGFO D&C works has been informed by the technically feasible tender response received, with an allowance for route-related risk included within Other Construction Costs.

The soil and ground conditions of the project's geographical area is a combination of medium to heavy clay soils and high strength rock that presents specific challenges for construction planning and execution. The high strength rock necessitates the use of heavy-duty or specialised excavation methods and will require mechanical or hydraulic rock-breaking, ripping, saw cutting techniques and directional drilling increasing both time and cost. We will transfer the rock excavation risk to our D&C contractor through a provisional sum and the residual risk is an extended project duration and increased carrying costs Transgrid has retained and included a risk cost allowance for.

4.2.3. Other Construction Costs

We are required to enable the achievement of the Target Commercial Operation Date of June 2027 as set in the PGSA with WRWF. Since executing the PGSA with WRWF in December 2025 [redacted] for fibre installation and associated enabling works to connect WRWF to the SIPS Control.

[redacted] We have therefore [redacted] in other constructions costs (i.e. risk allowance) [redacted]

[redacted]

[redacted]

[redacted]

The risks associated with connecting the additional Paired Generator cannot be efficiently transferred to the D&C Contractor, avoided or fully mitigated. These risks arise from the selection of the Paired Generator, are outside of our control and cannot reasonably be transferred to insurers or third parties.

For this reason, we consider it appropriate to include a risk cost allowance within the base expenditure to address the potential cost implications should these risks materialise. The allowance has been developed using a bottom-up assessment of potential risk events and their associated cost impacts.

4.3. Incremental Operating Expenditure

We propose a $1.0 million incremental increase to our operating expenditure (opex) allowance to recover the efficient and prudent ongoing maintenance, operating and insurance costs arising from the:

- expansion of WSB non-contestable assets to facilitate the additional Paired Generation Service, and

- corresponding increase in our regulatory and contractual obligations under an additional PGSA.

We have carefully aligned our approach with the 2024 AER Final Determination for WSB Non-Contestable. In developing this adjustment proposal, we have:

- identified the specific activities and obligations previously approved in relation to Paired Generation Services
- utilised the same cost categories, structure and methodological approach, where relevant and applicable, and
- maintained the key assumptions underpinning the existing opex allowance, unless otherwise clearly stated.

Where appropriate, we have adopted the AER's final decisions and scaled them proportionately to reflect the addition of one Paired Generation Provider. This ensures the proposal is consistent with the 2023 AER final decision and reflects only the efficient incremental costs necessary to deliver the expanded service.

Accordingly, our incremental opex relates to:

- maintenance costs – relate to routine maintenance opex of the SIPS control attributable to additional Paired Generation Provider.
- operating costs – relate to the additional activities (see Appendix B) required to meet our contractual obligations under PGSA with WRWF and relevant obligations under the Network Operator Deed with EnergyCo.
- insurance expenses – covers the estimated premiums for industrial special risks from independent insurance broker.

Table 4-2 sets out our incremental forecast annual and total opex forecast for the 2024-29 regulatory period for the connection of the additional Paired Generation Provider.

Table 4-2: Total forecast opex for WRWF, by category ($'000, Real 2023-24)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Maintenance costs (excl labour escalation)	-	-	-	25.2	25.2	**50.3**
Operating Costs (excl labour escalation)	-	-	-	439.5	477.5	**917.1**
Insurance Costs	-	-	-	9.9	9.9	**19.8**
Real input cost escalation	-	-	-	1.4	5.0	**6.4**
Total (excluding debt raising costs)	**-**	**-**	**-**	**476.0**	**517.6**	**993.6**

Appendix B provides a detailed description of the incremental operating costs for the project.

5. Debt and Equity Raising Costs

The combined impact of all the adjustments applied in the 2026 WSB non contestable adjustment proposal have resulted in the following debt and equity raising costs for the 2024-29 regulatory period.

Table 5-1 sets out debt and equity raising costs for the 2024-29 regulatory period.

Table 5-1: sets out year-by-year debt and equity raising costs ($'000, Real 2023-24)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Debt raising costs	52.4	119.2	123.8	119.8	115.8	531.1
Equity raising costs	764.1	-	-	-	-	764.1

6. Adjusted Maximum Allowed Revenue

This chapter sets out the incremental building block revenue forecast relating to the non-automatic adjustments included in our 2026 non-contestable adjustment proposal as well as our updated Maximum Allowable (MAR) revenue for the WSB non contestable project[3]. Chapter 6 explains how the updated MAR is reflected in the remaining years of the 2024-29 regulatory period.

Under the EII Act Chapter 6A, our total annual building block revenue requirement (ABBRR) is calculated in the same way as under the National Electricity Rules (NER) Chapter 6A. This involves using a building block approach which estimates our revenue as the sum of the efficient costs to provide our EII Act services. The building blocks include:

- Return on capital
- Regulatory depreciation
- Opex
- Revenue adjustments, and
- Corporate income tax (net of imputation credits).

Table 6-1 summarises the total revenue forecast of $12.2 million ($Nominal), broken down by building block component, and briefly explains how we have calculated each component. This revenue is calculated within the EII Act PTRM included as an attachment to this Revenue Proposal as a simple sum of the five building blocks shown in the tables.

Table 6-1: Incremental revenue forecast over the 2024-29 regulatory period

Building block	$'000, Nominal	$'000, Real 2023-24	Cross reference to other chapters
Return on capital	3,193.1	2,821.6	Calculated by multiplying the forecast opening capital base for a given year by the allowed rate of return adopted by the AER.

[3] The incremental building block movements relate to the impact of the contract variations discussed in chapter 3 and the incremental paired generation expenditure discussed in chapter 4. The incremental movements do not include the impact of the automatic annual 2026-27 update for inflation and cost of debt.

Building block	$'000, Nominal	$'000, Real 2023-24	Cross reference to other chapters
Return of capital	7,894.4	6,935.9	Calculated as forecast straight line depreciation for each asset class less indexation of the capital base.
Opex	1,130.7	993.6	Refer to Chapter 4.3. This includes debt raising costs.
Revenue adjustments	-	-	-
Corporate income tax	0.5	0.5	Calculated as forecast pre-tax income multiplied by the corporate tax rate, less the assumed value of imputation credits.
MAR	**12,218.7**	**10,751.5**	Sum of each building block above.

Table 6-2 shows the incremental year-by-year breakdown of the forecast over the 2024-29 regulatory period in ($Nominal).

Table 6-2: Incremental revenue required over the 2024-29 regulatory period – Detailed breakdown ($'000, Nominal)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	82.2	(26.8)	119.9	1,633.4	1,384.4	3,193.1
Return of capital	(34.9)	14.0	(13.5)	3,823.7	4,105.1	7,894.4
Opex	-	-	-	533.6	597.1	1,130.7
Revenue adjustments	-	-	-	-	-	-
Corporate income tax	0.5	-	-	-	-	0.5
MAR	**47.8**	**(12.7)**	**106.4**	**5,990.7**	**6,086.6**	**12,218.7**
NPV (as at 30 June 2024)						**9,080.7**

Table 6-3 shows the incremental year-by-year breakdown of the forecast over the 2024-29 regulatory period in $Real 2023-24.

Table 6-3: Incremental MAR required over the 2024-29 regulatory period | Detailed breakdown ($'000, Real 2023-24)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	79.9	(25.3)	110.0	1,456.9	1,200.0	2,821.6
Return of capital	(33.9)	13.2	(12.4)	3,410.5	3,558.4	6,935.9
Opex	-	-	-	476.0	517.6	993.6
Revenue adjustments	-	-	-	-	-	-
Corporate income tax	0.5	-	-	-	-	0.5
MAR	**46.4**	**(12.0)**	**97.6**	**5,343.5**	**5,276.0**	**10,751.5**
NPV (as at 30 June 2024)						**9,080.7**

Table 6-4 shows total forecast and year-by-year breakdown over the 2024-29 regulatory period in $Nominal. The total forecast includes the net outcome of the three adjustments including the automatic annual cost of debt update as well as the non-automatic contract variations and incremental costs associated with connecting the additional PG Provider.

Table 6-4: Total revenue required over the 2024-29 regulatory period - Detailed breakdown ($'000, Nominal)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	7,330.9	16,813.6	18,084.9	19,979.7	19,615.0	81,824.2
Return of capital (depreciation)	(3,113.8)	(2,288.5)	1,342.2	5,480.2	6,078.7	7,498.7
Opex	2,645.9	4,805.6	5,384.3	6,150.4	5,869.0	24,855.1
Revenue adjustments	3,615.6	-	-	-	-	3,615.6
Corporate income tax	41.7	-	-	-	-	41.7
MAR	**10,520.2**	**19,330.7**	**24,811.5**	**31,610.2**	**31,562.6**	**117,835.2**
NPV (as at 30 June 2024)						**94,033.0**

Table 6-5 shows total forecast and year-by-year breakdown of the forecast over the 2024-29 regulatory period in $Real 2023-24.

Table 6-5: Total MAR revenue required over the 2024-29 regulatory period | Detailed breakdown ($'000, Real 2023-24)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	7,124.3	15,879.4	16,598.8	17,821.1	17,002.8	74,426.4
Return of capital	(3,026.1)	(2,161.3)	1,231.9	4,888.1	5,269.1	6,201.7
Opex	2,571.3	4,538.5	4,941.8	5,485.9	5,087.4	22,625.0
Revenue adjustments	3,513.7	-	-	-	-	3,513.7
Corporate income tax	40.5	-	-	-	-	40.5
MAR	10,223.7	18,256.6	22,772.5	28,195.0	27,359.3	106,807.2
NPV (as at 30 June 2024)						**94,033.0**

7. Adjusted Payment Schedule

This chapter sets out the proposed schedule of quarterly payments that we will be paid over the 2024-29 period by the Scheme Financial Vehicle for carrying out the WSB Project and the methodology by which we have calculated these payments from the total revenue.

7.1. Payment schedule

In accordance with EII Act Chapter 6A, we have calculated a schedule of quarterly payments that we, as the Network Operator, propose to be paid by the Scheme Financial Vehicle for delivering the Project.

We have calculated these payments based on our forecast MAR for the 2024-29 regulatory period, which is discussed in Chapter 6. In particular, we have converted our MAR into a series of quarterly payments within the PTRM, provided as an attachment to this Revenue Proposal, such that the NPV of the payments matches the NPV of MAR.

Table 7-1 shows the forecast quarterly payments for the 2024-29 regulatory period. The impact of all of the adjustments included in this proposal are captured in the updated quarterly payments for 2026-27, 2027-28 and 2028-29.

Table 7-1: Forecast quarterly payments for the 2024-29 regulatory period ($'000, Nominal)

Year	Quarter 1 (September)	Quarter 2 (December)	Quarter 3 (March)	Quarter 4 (June)	Total
2024-25	2,498.5	2,547.2	2,596.8	2,647.4	10,290.0
2025-26	4,649.1	4,720.8	4,793.6	4,867.4	19,030.9
2026-27	5,958.4	6,069.9	6,183.5	6,299.1	24,510.9
2027-28	7,628.5	7,758.2	7,890.2	8,024.5	31,301.4
2028-29	7,617.2	7,746.8	7,878.6	8,012.7	31,255.3
Total	**28,351.8**	**28,843.0**	**29,342.7**	**29,851.1**	**116,388.6**
NPV (as at 30 June 2024)					**94,033.0**

8. Other matters

8.1. Confidential information

In accordance with clause 6A.10.1 (f)(2) of the EII Act Chapter 6A and the AER's Confidentiality Guideline[4], we have completed a confidentiality template as an Attachment to this Revenue Proposal that details the matters for which we are claiming confidentiality.

8.2. Certifications

Statutory declaration

The AER has requested an officer of Transgrid to make a statutory declaration attesting to the information provided in response to that notice.[5]

In summary, the statutory declaration specifies actual information must be true and accurate and the forecasts and historical estimates are the best forecasts and estimates able to be provided. These standards are intended to deliver the highest quality information to the AER, to ensure it can make decisions that are required under the EII Act.

The statutory declaration made by our Company Secretary is provided as an Attachment to this Revenue Proposal.

8.3. Compliance checklist

We have completed compliance checklist, which demonstrates how our 2026 WSB non contestable adjustment proposal complies with the AER's Non-contestable Guideline and Final WSB (non-contestable) Decision.

8.4. Supporting documentation

The following Table 8-1 provides lists of documents that support our 2026 WSB non-contestable adjustment proposal.

Table 8-1: Sets out lists of documents supporting 2026 WSB non-contestable adjustments proposal.

Document / Model number	Document Name
Models	
M.1	Capex Forecast Model
M.2	Labour and Overhead Costs Model
M.3	Opex Forecast Model
M.4	Direct Non-Labour Model
M.5	Post Tax Revenue Model (PTRM)

[4] We have used the AER's Draft Non-disclosure Guideline Electricity Infrastructure Investment Act 2020 (NSW), Feb 2026.
[5] AER, Information notice issued to Transgrid for the Waratah Super Battery project (non-contestable). The form of the statutory declaration is set out in section 6.1.7 of the information notice.

Document / Model number	Document Name
Other supporting documentation	
A.1	Confidentiality claims
A.2	Compliance with the AER's Adjustment Proposal requirements
A.3 – A.81	Contract Variations
A.82	Risk Assessment
A.83	Statutory Declaration

Appendix A – Additional Paired Generation Historical and Forecast Capex

A.1 Overview

In 2023, the AER published its final decision on the WSB Non-contestable Project (2023 AER final decision). The AER approved total forecast capital expenditure (capex) of $144.5 million (excluding equity raising costs) for the 2024-29 regulatory period. This allowance covered the design, installation, commissioning and operation of uprated existing transmission lines and substations and the SIPS control.

We propose an incremental increase to our capex allowance of $21.7 million to recover the efficient and prudent costs arising from connecting the fourth Paired Generation Provider to the SIPS infrastructure.

Our proposal is limited to the incremental costs attributable to this additional Paired Generation Provider. It does not revisit or reopen costs previously assessed and approved by the AER.

In developing this adjustment proposal, we have carefully aligned our approach with the 2023 AER final decision. We have:

- to the greatest extent possible, market-tested costs from our competitive procurement process which has been undertaken in accordance with our compliance and governance requirements,
- applied the same cost categories, structure and methodological approach, where relevant and applicable, and
- maintained the key assumptions underpinning the existing capex allowance, unless otherwise clearly stated.

A.2 Our procurement approach

The WSB procurement process focuses on the following components that are required for the Project:

- D&C contract for the construction of a new communications link for SIPS control between the fourth Paired Generation Service Provider site and our existing network, and
- Secondary systems and SIPS Equipment – we will procure secondary and communications equipment utilising our existing supplier panel arrangements

Each procurement model is explained below.

A.2.1 Underground Fibre Optic D&C contract

Transgrid is undertaking a competitive tender in accordance with its Procurement Policy and Procedures for the procurement of the underground fibre optic (UGFO) works between Sapphire and White Rock substations. Five Construction Services Panel (CSP) suppliers were invited to participate. The tender was open for five weeks, closing on 18 November 2025, and included a site visit and multiple rounds of supplier clarifications and technical departure resolution. Two tender responses were received, of which one was assessed as technically feasible with the other response proposing a practical completion date of April 2028 far exceeding the target completion date set in the Paired Generation Services Agreement of June 2027.

The submissions were assessed against Transgrid's standard technical and commercial evaluation criteria, and on 26 February 2026 the tenderer who provided the technically feasible response was selected as the preferred tenderer. However, the tender process has not been finalised.

Landholder engagement was undertaken in parallel with the tender evaluation on the preferred route. This process resulted in new information that materially increased the anticipated route length by approximately 7–10 kilometres, representing a significant change in project scope and rendering the original tender evaluation no longer valid.

To ensure a robust and competitive procurement outcome, Transgrid will now request revised cost submissions from both tenderers once landholder engagement has progressed further and greater certainty has been achieved regarding the final route.

A.2.2 Equipment

We have existing period agreements with suppliers for secondary systems equipment. There are generally multiple potential providers of this equipment, and we routinely enter into period agreements with suppliers using a competitive process. That is, our existing period agreements for secondary systems suppliers were established using competitive processes in accordance with our business-as-usual procurement processes and policies.

We also require SIPS equipment to implement the SIPS control. We require control logic units and substation secondary system panels. SIPS control is developed based on our Special Protection Scheme (SPS) standard designs and requires hardware from suppliers that have previously provided this equipment to Transgrid.

A.3 Other Construction Costs

We have comprehensively and transparently identified and assessed the key risks for the Project, including our ability to efficiently manage, prevent or mitigate these risks (including through insurance) and the magnitude and likelihood of the risk. Where we have identified risks that we are unable to effectively manage, prevent or mitigate, we have assessed the likelihood and magnitude of these risks and quantified them for inclusion in our other construction costs (OCC) allowance.

Our OCC for the project is $6.7 million and has been developed by adopting a bottom-up approach to the quantification of this allowance including:

- establishing consequence estimates that represent reasonable estimates of the efficient and prudent costs that may be incurred
- estimating realistic likelihoods of the consequential cost being incurred
- accounting for the presence of any controls or mitigations, and
- accounting for the Project specific contractual risk allocations adopted.

This risk management approach aligns with AS ISO31000:2018 Risk Management Guidelines and involved:

- understanding and establishing the context for the potential risk events that could arise
- identifying expected risks and establish a risk register
- analysing and evaluating potential risks, and mitigate/manage potential risks
- assessing potential cost impacts of risks, to determine appropriate OCC allowance.

An integrated Cost and Schedule Quantitative Risk Analysis (QCSRA) probabilistic approach was used in estimating our risk allowance. We have utilised a hybrid approach, combining the top-down Risk Factor

coupled with the top-down First Principles Risk Analysis (FPRA) technique, which accounts for both inherent uncertainties and contingent risk.

As a result of our analysis, we identified OCC that are likely to be incurred to deliver the Project on time and within budget. The OCC form part of the overall cost of the Project and reflect the probability-weighted calculation of 'expected costs.

We have applied a P50 confidence level when forecasting our risk allowance, as it is the point at which risks are shared equally between Transgrid and consumers.

Table A- 1 details the key risks addressed via the inclusion of this allowance and their associated capex.

Table A- 1: OCC ($'000, Real 2023-24)

#	Risk name	Description	Risk category	Value
1.	Increased route length [redacted]	An increase in the UGFO route length of approximately 2-6 kilometres, resulting from landholder feedback [redacted] received after the D&C contract cost estimate was provided, due to a late change in the selected route	Property & Stakeholder engagement	2,292.4
2.	Increased route length – avoidance of biodiversity offset area and sensitive landholder	This risk captures the risk of other route changes resulting in the UGFO route length to increase by approx. 4 – 8km based on landholder engagement and project scope development yet to be undertaken. This is the risk in inability to access land which results in a substantial change in route, leading to change in design and extra length of construction [redacted]	Property & Stakeholder engagement	3,438.6
2.	Delay	Project delays due to designs, equipment not available, resource shortage and outage cancellation affecting timely completion of project.	Construction	562.1
3.	Ground conditions	Ground conditions which consisted of rocks and contaminated soil that make it difficult to construct	Construction	229.8
4.	Other minor risks	Other minor risks	Construction	154.4
Total				**6,677.3**

We provide the project's detailed risk assessment in Attachment A.82.

[redacted]

A.4 Summary of Historical and Forecast Labour, Labour-related and Indirect Capex

We will incur labour and indirect capex in delivering the enabling works for WRWF. These costs relate to activities that would not be incurred if we had not executed the PGSA with WRWF. Our labour, labour-related and indirect capex is grouped as follows:

- Historical capex – expenditure that we incurred on the project up to 31 January 2026, and
- Forecast capex – expenditure we expect to incur from 1 February 2026 onwards to complete the delivery of the enabling works.

Forecast capex is further categorised into the following sub-categories, reflecting the key functions required to deliver the project:

- Project Management
- SIPS Control Implementation
- Other Support & Corporate Roles
- Community and Stakeholder Engagement
- Property.

Table A- 2 sets out our historical and forecast labour, labour related and indirect capex for the project. The forecast represents a bottom-up build based on the estimated resource requirements necessary to deliver the project.

Table A- 2: Summary of historical and forecast labour, labour related and indirect capex ($'000, Real 2023-24)

Capex category	Historical	Forecast			Total
	FY2026 (Until 31 January 2026)	FY2026 (From 1 February 2026)	FY2027	FY2028	
Labour (internal and outsourced, direct)	**116.6**	**820.5**	**4,727.7**	**90.1**	**5,754.8**
Other Support & Corporate Roles	63.3	319.6	1,010.7	25.1	1,418.7
Community and Stakeholder Engagement	-	345.2	820.1	-	1,165.3

Capex category	Historical	Forecast			Total
	FY2026 (Until 31 January 2026)	FY2026 (From 1 February 2026)	FY2027	FY2028	
Project Management	48.7	155.7	936.7	65.0	1,206.1
SIPS Control Implementation	-	-	1,326.8	-	1,326.8
Property	4.6	-	633.5	-	638.1
Labour related (direct)	**78.8**	**-**	**368.5**	**-**	**447.3**
Other Support & Corporate Roles	43.2	-	-	-	43.2
Community and Stakeholder Engagement	-	-	230.7	-	230.7
Project Management	32.5	-	107.9	-	140.3
SIPS Control Implementation	-	-	30.0	-	30.0
Property	3.2	-	-	-	3.2
Indirect	**37.6**	**961.4**	**2,955.2**	**133.8**	**4,087.9**
Proportion of labour and labour related costs	-	351.6	2,184.1	38.6	2,574.3
Other Support & Corporate Roles	34.6	136.8	103.9	-	275.3
Community and Stakeholder Engagement	-	9.8	23.5	-	33.3
Project Management	2.9	-	-	-	2.9
Property	0.0	463.1	643.7	95.2	**1,202.0**
Total	**233.0**	**1,781.9**	**8,051.3**	**223.8**	**10,290.0**

A.5 Breakdown of Labour, Labour-related and Indirect Capex

A.5.1 Project Management

Table A-3: Project Management ($'000, Real 2023-24)

Category	Total capex
Labour	1,206.1
Internal	1,206.1
Outsourced	-
Labour related	140.3
Indirect	545.1
Total	**1,891.5**

Labour and labour-related

Forecast Project Management labour resources (2.0 average FTEs per month) will directly manage delivery of the project. The resources will undertake activities including:

- Establishment and management of the project including cost control, scheduling, and stakeholder coordination, and
- Construction management for augmentation works which involves site management, resource planning, outage coordination and supervising contractors during site works.

Indirect

The indirect costs associated with Project Management reflect the indirect component of internal labour, calculated using Transgrid's standard methodology that is applied consistently across all projects. These costs represent the allocation of corporate support and overhead functions required to support project delivery.

A.5.2 SIPS Control Implementation

Table A-4: SIPS Control Implementation ($'000, Real 2023-24)

Category	Total capex
Labour	1,326.8
Internal	1,326.8
Outsourced	-
Labour related	30.0
Indirect	581.4
Total	**1,938.2**

Labour and labour related

SIPS Control Implementation labour resources (3.4 average FTEs per month) will undertake the design, installation and commissioning of the SIPS control system required to integrate the WRWF paired generation into the existing SIPS infrastructure.

Key activities undertaken by these resources include:

- Detailed design works for SIPS control and augmentation works
- Installation and commissioning of the SIPS control
- Construction and integration of a new communications link for SIPS control between a paired generator site and our existing network.

Indirect

The SIPS Control Implementation indirect costs represent the indirect component of internal labour, calculated using Transgrid's standard methodology applied consistently across all projects. These costs reflect the allocation of corporate support and overhead functions required to support delivery of the SIPS control implementation activities.

A.5.3 Other Support & Corporate Roles

Table A-5: Other Support & Corporate Roles ($'000, Real 2023-24)

Category	Total capex
Labour	1,418.7
Internal	1,387.0
Outsourced	31.7
Labour related	43.2
Indirect	856.2
Total	**2,318.0**

Labour and labour related

The Other Support & Corporate Roles labour resources, averaging 2.5 FTEs per month, will provide specialist support required for delivery of the project. These resources support core project functions and ensure the project is delivered safely, efficiently and in compliance with regulatory and contractual requirements.

Key activities undertaken by these resources include:

- engineering and design support for the enabling works and associated network integration
- health and safety oversight to ensure compliance with Transgrid's safety requirements during construction activities
- environment, including environmental assessments, preparation and submission of environmental approvals and associated stakeholder consultation
- legal and risk management support
- network operations input to ensure operational requirements and integration with the existing network are appropriately addressed
- contract management support to meet our obligations under the WRWF PGSA during the construction phase
- procurement activities, including support for the tender process and ongoing support of contract administrative management
- regulatory support, including preparation of the revenue adjustment proposal submission.

Indirect

The Other Support & Corporate Roles indirect costs relate primarily to insurance and specialist external advisory services required to support delivery of the project, including:

- Contracts works insurance, which is required to manage construction risk in accordance with prudent utility practice and contractual requirements. The associated costs are considered necessary and efficient for the delivery of the project and are therefore included.
- Third-party liability insurance, which is required to for Transgrid's legal liability for personal injury and property damage suffered by third parties arising from construction activities. This insurance is required to manage construction-related liability risk in accordance with prudent utility practice and contractual requirements.

- Regulatory external support, including engagement of external consultants to assist with regulatory modelling and preparation of the adjustment proposal.
- Environment specialist advice, including engagement of external consultant costs to support environmental approval(s). These services may include field inspections, desktop assessments and preparation of specialist reports required to support environmental approval processes.

A.5.4 Community and Stakeholder Engagement

Table A-6: Community and Stakeholder Engagement ($'000, Real 2023-24)

Category	Total capex
Labour	1,165.3
Internal	1,165.3
Outsourced	-
Labour related	230.7
Indirect	631.6
Total	**2,027.6**

Labour and labour related

The Community and Stakeholder Engagement labour resources (2.2 average FTEs per month) will undertake engagement activities associated with community, stakeholder and First Nations engagement, as well as the day-to-day relationship management for landholders for the duration of the project.

Key activities undertaken by these resources include:

- conducting landholder and community meetings
- coordinating notifications and access requirements for surveys, investigations and construction activities
- supporting engagement with First Nations stakeholders
- managing ongoing communication with affected communities and stakeholders, and
- working closely with the Property team to develop and implement Property Management Plans.

These activities are necessary to support access negotiations, maintain community relationships and ensure the project is delivered in accordance with Transgrid's stakeholder engagement practices.

Indirect

The indirect costs relate primarily to community engagement initiatives and communication activities required to support project delivery. These include:

- Community Partnerships Program initiatives, which provide grants to local not-for-profit organisations and community groups located near Transgrid project areas. These initiatives support local community infrastructure, workshops and projects that promote inclusivity and accessibility.
- Project communication, including the development and execution of local communication campaigns, which may include social media and other local communication channels used to inform communities about project activities.

A.5.5 Property

Table A-7: Property ($'000, Real 2023-24)

Category	Total capex
Labour	638.1
Internal	638.1
Outsourced	-
Labour related	3.2
Indirect	1,473.5
Total	**2,114.7**

Labour and labour related

The Property labour resources, averaging 1.3 FTEs per month, will support activities required to secure and manage property access for the project. These activities include coordinating landholder engagement, negotiating access arrangements and supporting the preparation of property agreements required to facilitate survey, investigation and construction activities.

Indirect

The Property indirect costs relate to landholder access arrangements, compensation and professional services required to secure and manage property access for the project.

These costs include:

[redacted]

Transgrid will first seek to gain consent for the works through a commercial agreement with the impacted landholders. This involves a[redacted], which is standard Transgrid procedure for enabling pre-construction access. Transgrid will then seek to enter into an agreement with the impacted landholders for the construction phase.

Where commercial agreement cannot be reached, [redacted]

It is anticipated that [redacted] In addition, [redacted]

[redacted]

2. **Make good compensation costs**

   Make good compensation costs have been included based on the anticipated [redacted] landholders. These costs have been based on an independent valuation quote received by Transgrid.

3. **Valuation costs – Transgrid and Landholder**

   Transgrid's valuation costs have been incorporated together with an allowance for costs on a per-landholder basis based on its independent valuation quote received.

Affected landholders are entitled to obtain independent valuation advice. This approach is considered reasonable and prudent and is consistent with landholder entitlements and Transgrid policy.

4. **External legal fees**

   Costs are based on an external legal quote received by Transgrid and are in connection with delivering and completing documentation with the anticipated that[redacted] landholders and laydown area.

5. **Landholder legal expenses**

   Landholders will incur legal expenses in connection with the project. In accordance with Transgrid's policy, these costs are reimbursed at cost where they are reasonably incurred. The allowance for landholder legal expenses has been calculated based on an external legal advisor's quote, with only those costs that would also be incurred by landholders included.

A.6 Methodology for forecast labour and indirect capex

A.6.1 Labour costs

Our labour costs are based on both our internal team. No real labour cost escalation is included in the rates (as this is applied subsequently in the Capex Model).

The forecast cost was built up based on:

- the month-by-month FTE requirements for each role type (e.g., Commercial Manager) to meet the project schedule; and
- hourly labour rates for each role type including on-costs and support costs.

A.6.2 Labour-related costs

Our labour-related costs represent travel expenses (including accommodation, meal allowances and other expenses) which have been determined in accordance with ATO Guidelines TD 2025/4. The cost per trip per staff per night is assumed to be $4,280 based on the assumption that each trip is one night. This cost consists of:

- Cost per return flight to site per staff: $628.00
  - Based upon Qantas pricing for return flights per person, between Sydney and Armidale.
- ATO/ Transgrid's award staff rates for accommodation and meals: $372.00
  - Based on the ATO Allowances[6], and selecting Inverell (NSW) as the default travel location, the proposed Accommodation, Meals and Incidentals allowance for all groups.
- Car hire per day at site: $186.00 based on a Hertz
- Travel allowance: $3,094.00
  - Based on the assumption 7.5 hours of additional travel time for staff is required.

We have calculated travel expenses by multiplying the cost per trip for one staff ($4,280) with the number of trips (123) taken in 2026-27:

- Community and Stakeholder Engagement – 77 trips

[6] ATO, TD 2025/4, available at https://www.ato.gov.au

- Project Management – 36 trips
- SIPS control implementation – 10 trips

A.6.2 Indirect capex

Proportion of labour and labour-related costs

Recognising that, on average, roughly 70% of our capitalised labour and labour related costs are direct in nature, we have treated 30% of our labour and labour-related cost as an indirect cost.

Non-Labour costs

These costs comprise a wide range of professional and consulting services. The approach adopted in forecasting these costs involves separately itemising/defining the costs and phasing the costs over the project life based on the project schedule.

For a number of these cost items, we have established supplier arrangements or quotes obtained. As such, these arrangements and quotes form the basis of the forecast costs. However, given that for other cost items it may be too early to undergo the procurement process, we have instead relied on historical project estimates, recent relevant experience, and reasonable assumptions to prepare the forecast costs.

Appendix B Additional Paired Generation Incremental Opex Forecast

B.1 Overview

In 2023, the AER published its final decision on the WSB Non-contestable Project (2023 AER final decision). The AER approved total opex of $21.1 million for the 2024-29 regulatory period. This allowance covers ongoing maintenance, operating and insurance costs associated with the approved non-contestable assets and reflects our contractual obligations under:

- the Network Operator Deed between Transgrid and EnergyCo
- the PGSAs between Transgrid and the three existing Paired Generation Providers, and
- the SIPS Service Agreement between Transgrid and the SIPS Service Provider.

This adjustment proposal relates to the addition of a fourth Paired Generation Provider. We propose an incremental increase to our opex allowance to recover the efficient and prudent ongoing maintenance, operating and insurance costs arising from:

- the expansion of WSB non-contestable assets to facilitate the additional Paired Generation Service, and
- the corresponding increase in our regulatory and contractual obligations under an additional PGSA.

Our proposal is limited to the incremental costs attributable to the fourth provider. It does not revisit or reopen costs previously assessed and approved by the AER.

In developing this adjustment proposal, we have carefully aligned our approach with the 2024 AER final decision. We have:

- identified the specific activities and obligations previously approved in relation to Paired Generation Services
- applied the same cost categories, structure and methodological approach, where relevant and applicable
- adopted new labour rates in accordance with Transgrid's 2025 Workplace Determination and converted them to real 2023-24 dollars where relevant, and
- maintained the key assumptions underpinning the existing opex allowance, unless otherwise clearly stated.

Where appropriate, we have adopted the AER's final decisions and scaled them proportionately to reflect the addition of one Paired Generation Provider. This ensures the proposal is consistent with the 2023 final decision and reflects only the efficient incremental costs necessary to deliver the expanded service.

Table B-1: Incremental forecast opex for additional Paired Generation Provider ($'000, real 2023-24)

Sub-category	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Maintenance costs (excl labour escalation)	-	-	-	25.2	25.2	**50.3**
Operating Costs (excl labour escalation)	-	-	-	439.5	477.5	**917.1**
Insurance Costs	-	-	-	9.9	9.9	**19.8**
Real input cost escalation	-	-	-	1.4	5.0	**6.4**
Total (excluding debt raising costs)	**-**	**-**	**-**	**476.0**	**517.6**	**993.6**

B.2 Key opex assumptions and basis for determining incremental opex forecast

The table below sets out the key assumptions underpinning our incremental opex forecasts.

Table B-2 Incremental opex key assumptions

Key assumption	
Legislative and regulatory obligations	We have applied the same legislative and regulatory framework that underpinned the 2023 AER final decision. No changes to our obligations have been beyond those directly attributable to the additional PGSA.
Alignment with capex forecast	Consistent with the 2023 AER final decision, the incremental maintenance, operating and insurance costs commence once the additional assets are commissioned and operational.
Cost allocation and capitalisation	Consistent with our original Revenue Proposal and the 2023 AER final decision, our incremental opex reflects our expenditure capitalisation policy and our CAM. This provides an appropriate basis for attributing and allocating costs to, and between, our prescribed transmission and other services. Labour rates applied in the incremental forecast are based on our most recent approved labour rates and are consistent with our CAM.
Cost escalations	The real labour cost escalator applied in our forecasts is consistent with the approach adopted in the 2023 AER final decision.
Inflation	Inflation assumptions are consistent with the 2023 AER final decision and subsequent annual update decisions.

Table B-3 Basis for determining incremental forecast opex, by category ($'000, Real 2023-24)

Opex category	Value	Basis for Opex forecast	Further details
Maintenance costs (excluding labour escalation)	50.3	Based on proposed maintenance activity unit rates multiplied by project volumes of activities	B.3
Operating costs (excluding labour escalation)	917.1	Based on incremental operating activities associated with administering and managing an additional PGSA. Costs have been derived by scaling the AER-approved 2023 cost base to reflect one additional Paired Generation Provider	B.4

Opex category	Value	Basis for Opex forecast	Further details
Insurance	19.8	Based on independent estimate from our insurance broker	B.5
Real input cost escalation	6.4	Labour escalators as set out in the 2023 AER final decision	
Total forecast opex	**993.6**		

B.3 Maintenance costs

Maintenance costs are forecast by assessing the number and timing of expected maintenance tasks associated with the additional Paired Generation Provider and the associated unit costs.

Maintenance activity – which underpins those costs – cover both:

- condition based and corrective maintenance (defect maintenance), and
- routine maintenance and inspection work.

We expect to incur some relatively minor routine inspection, condition based and corrective maintenance costs from 2027-28, the year following when the assets are first commissioned given the newness of the assets. Key elements of the forecast routine maintenance opex are:

- Annual testing of the SIPS control, including for:
  - the newly added control system associated with the new generator
  - cyber security, and
  - communications system integrity.

Table B-4 sets out the key inputs and assumptions used to calculate the maintenance expenditure forecast.

Table B-4 Incremental forecast maintenance opex for additional Paired Generation Provider

Item	Description
Unit rates	Unit rates for each maintenance activity combine both standard labour and material unit rates and: • are based on standard jobs sourced from data in our accounting system (in 2026-27 dollars) and have been converted to 2023-24 dollars. • reflect the average actual rates of all employees assigned to labour resource categories (based on the nature of the work performed) which exclude labour on-costs and overhead costs. Actual labour rates reflect our Enterprise Agreement (EA) and individual employment contracts where the EA does not apply, and • for maintenance of assets that are not currently in our fleet, are based on expected estimates to undertake the maintenance task.
Quantities	Quantities, or maintenance frequencies, are based on the standard frequencies outlined in our maintenance plan for each asset class under our ISO55001 certified Asset Management System (AMS) and Electricity Network Safety Management System to manage network safety risks to SFAIRP and ALARP. These include SIPS control. The activities are assumed to start in the 2027-28 year, i.e. the year after the first assets are commissioned.

Item	Description
Real input cost escalation	Labour unit rates are based on 2026-27 rates with labour escalation applied to 2027-28 and 2028-29 years based on escalation rates approved by the AER in its 2023 final decision for WSB.
Assumptions	Key assumptions: • no allowance has been made for non-standard assets or design, other than the SIPS control, • based on experience defect costs have been estimated as a percentage of expected routine maintenance costs: - 300 per cent for SIPS control

Table B-5 sets out the forecast maintenance costs for the Project over the 2024-29 period by category.

Table B-5 Incremental maintenance forecast for additional Paired Generation Provider ($'000, Real 2023-24, exclude labour escalation)

Maintenance costs	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Transmission Lines	-	-	-	-	-	**-**
Substations	-	-	-	-	-	**-**
SIPS control	-	-	-	25.2	25.2	**50.3**
Total maintenance costs	**-**	**-**	**-**	**25.2**	**25.2**	**50.3**

B.4 Operations costs

Our incremental operations costs relate to the additional activities required to operate the expanded non-contestable assets and to meet our contractual (operational and contractual) obligations under PGSA with WRWF and relevant obligations under the Network Operator Deed with EnergyCo.

Consistent with the 2023 AER final decision, we have adopted the AER's approved approach for WSB non-contestable opex and proportionately scaled it to reflect the addition of one further Paired Generation Provider.

In developing our incremental forecast, we have:

- assessed the specific activities required to support the additional Paired Generation Provider and cross-referenced these against the activities approved by the AER in its 2023 final decision
- reviewed the resourcing assumptions underpinning the 2023 AER final decision and, where appropriate, adjusted them to reflect the incremental contractual and operational obligations associated with the additional PGSA
- adopted our most current labour rates in preparing the forecast costs.

Table B-6 sets out the key inputs and assumptions used to calculate the operating costs for WSB.

Table B-6 Incremental operating forecast additional Paired Generation Provider – Key assumptions

Item	Description
Labour resource requirements	The incremental labour resources reflect the additional contractual, commercial and technical / operational obligations introduced by the new PGSA. The PGSA establishes additional ongoing obligations relating to [redacted] The forecast incremental resourcing of: • 0.8 FTE in 2027-28 and • 0.9 FTE in 2028-29 is limited to the additional effort required to administer and manage one further Paired Generation Provider. The resourcing covers activities including: [redacted] Importantly: • these activities are incremental and arise solely due to the additional PGSA • they cannot be absorbed within existing resourcing without impacting compliance and contract administration, and • the forecast has been derived by proportionately scaling the AER-approved 2023 operating model for three providers to reflect a fourth provider, rather than introducing new cost categories.
Labour rates	• Labour costing rates are the average rates calculated based on the actual rates of all employees assigned into labour resource categories including labour on-costs and overhead (or support) costs • Actual labour rates[7] are sourced from human resources (HR) remuneration and benefits team in accordance with the EA and individual employment contracts where the EA does not apply, and • Resource categories are based on the nature of the work performed.
Real input cost escalation	Real input escalation is applied only to the labour component of the unit rates and is based on the labour escalation rates approved by the AER in its 2023 final decision.

[7] With regards to the increase in the actual labour rates used for this Adjustment Proposal as compared to the Waratah Super Battery Non-Contestable Final Determination, we note that this is driven by adoption of new labour rates in accordance with Transgrid's 2025 Workplace Determination. This Workplace Determination is effective from 27 May 2025 to 1 March 2027.

Item	Description
Assumptions	Labour resource requirements are assumed based on estimated effort required to fulfill the requirements of the PGSA for WRWF.

Table B-5 sets out the forecast Operating costs for the Project over the 2024-29 period by category.

Table B-7 Operating costs forecast for additional Paired Generation Provider ($'000, Real 2023-24, exclude labour escalation)

Component	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Contract Management	-	-	-	439.5	477.5	917.1
Network Planning	-	-	-	-	-	-
Network Operations	-	-	-	-	-	-
Regulatory Submissions	-	-	-	-	-	-
Total Operating costs	**-**	**-**	**-**	**439.5**	**477.5**	**917.1**

B.5 Insurance costs

We expect to incur opex associated with insurance premiums for assets required to connect the additional Paired Generation Provider once these assets are commissioned and become operational.

The types of insurance required relates to industrial special risks insurance consistent with the 2023 AER final decision. This insurance covers physical loss, destruction or damage to the assets occurring during operation.

Transgrid has a group level public liability policy that provides coverage for Transgrid's legal liability to third parties for property damage and bodily injury. The addition of the connection assets regarding White Rock Wind Farm should not impact Transgrid's group level public liability premium. On this basis, we have not provided an estimate of this line of insurance attributable to this project.

To determine insurance impact associated with the additional assets, we engaged our independent insurance broker to assess the estimated increase in premiums.

Table B-7 sets out the key inputs and assumptions used to calculate the incremental insurance opex for this adjustment proposal. In addition, Table B-8 sets out the annual insurance cost forecast as explained above.

Table B-7 Incremental insurance for the additional Paired Generation Provider

Insurance type	Description
Industrial special risks	Industrial special risks insurance covers physical loss, destruction or damage of insured property occurring during operation. [redacted] estimated annual premium of $9,900 for 2027-28 and 2028-29 (in 2023-24 dollar basis).

Table B-8 Incremental insurance forecast for additional Paired Generation Provider ($'000, Real 2023-24, exclude labour escalation)

Component	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Insurance costs	-	-	-	9.9	9.9	**19.8**