Transgrid

People. Power. Possibilities.

System Strength Project
2026-31 Revenue Proposal Overview

April 2026

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1. About this Overview Paper

Transgrid operates and manages the high voltage electricity transmission network across New South Wales (NSW) and the Australian Capital Territory (ACT), connecting generators, distributors, and major end users. Approximately four million consumers depend on the transmission network for reliable and affordable electricity supply.

The electricity system is undergoing a significant transformation as coal-fired power stations retire and are progressively replaced by renewable generation, such as wind and solar. This transition is essential to meeting consumers' energy needs at the lowest cost, as well as reducing emissions and supporting the long-term sustainability of the energy system. At the same time, however, it introduces new technical challenges that must be actively managed if the grid is to remain safe, stable and secure.

This Overview paper provides a plain English summary of our System Strength Project Revenue Proposal (Proposal) for the 2026-31 regulatory control period (Regulatory Period), which is being submitted to the Australian Energy Regulator (AER) for its review. The System Strength Project (the Project) is focused on addressing the system strength issues that are emerging as an unavoidable consequence of the energy transition.

The planned closure of the Eraring coal-fired power station in 2029 will lead to a substantial further weakening of the transmission system, with consequential impacts for consumers in terms of reliability and affordable energy supply in the absence of remedial action. The proposed investment will ensure that the transmission network maintains its ability to meet consumers' expectations for reliable and affordable energy supply. The AER is expected to conclude its review in September 2026, in which it will determine the amount of revenue that we are able to recover in relation to the Project.

In preparing the Proposal, we have worked collaboratively with the NSW Government, principally the Department of Climate Change, Energy, the Environment and Water (DCCEEW) as the Infrastructure Planner (IP), the Australian Energy Regulator (AER) and our Transgrid Advisory Council (TAC). Our primary focus has been to ensure that the Proposal addresses the needs of our consumers by delivering the optimal technical solution to the system strength challenges in a timely and cost-effective manner.

2. The System Strength Project

2.1. System strength is critical and how it will be maintained is changing through energy transition

At its simplest, system strength describes how well the electricity system can withstand, absorb and recover from electrical disturbances. The power system is constantly changing. Electricity flows change every second, and disturbances such as faults, generator trips or sudden changes in demand are a normal part of system operation. A strong, reliable system can absorb these disturbances and return to stable conditions quickly. As system strength declines, however, supply voltage can become unstable and difficult to control, and electrical disturbances can spread rapidly across the network rather than being contained.

In a weak transmission system, consumers will be exposed to increased risks of brownouts or blackouts. In less severe cases, insufficient system strength may still impose significant costs on consumers by limiting the operation of lower-cost generation and potentially requiring more expensive interventions, such as load shedding. Low system strength can also affect sensitive consumer equipment by causing unstable voltage, harmonic distortion, and increased voltage dips or surges. These power quality issues can lead to malfunctions, reduced efficiency, or failure of sensitive electronics and inverter-based devices like solar inverters, heat pumps, and modern home appliances.

Historically, large synchronous generators have provided system strength, acting as shock absorbers during electrical disturbances. As these generators retire or operate less often, the system loses a major source of inherent strength. At the same time, wind and solar generation do not naturally provide the same level of system strength, which leaves a gap that needs to be filled. Technologies, such as grid-forming mode capable batteries, are emerging that may help close that gap over time. However, those technologies are not yet sufficiently mature or deployed at scale to remove the need for dedicated network-based solutions.

The reliability and security of the system cannot be compromised while we wait for technological change. For that reason, we work closely with the Australian Energy Market Operator (AEMO) and other stakeholders to ensure that system strength is maintained.

2.2. Project Overview

This Project is being delivered in accordance with the EII framework, which comprises the *Electricity Infrastructure Investment Act 2020* (EII Act), the accompanying EII Regulations, and the AER's Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects 2025 (Guideline). Under this framework, the NSW Government is able to direct how and when critical network projects are delivered and provides a more streamlined pathway to accelerate project delivery.

In 2025, a forecast shortfall in system strength in NSW was identified through the transmission system planning processes.

In response, the NSW Government issued a Priority Network Infrastructure Project Direction (System Strength Project) Order (PNIP Direction) on 12 September 2025 under the EII Act, with a slightly amended version issued on 27 March 2026.[1]

This PNIP Direction requires us to carry out the Project, which involves the deployment of ten syncons at five key locations on the transmission network, two at each site. It will be the first major deployment of syncons on our network, as part of a broader portfolio of solutions to maintain system strength in NSW. The locations are geographically dispersed, ranging from Darlington Point in the south of NSW, to Armidale in the north (a distance of 850 km) as shown in figure 1 below.

Figure 1 Locations of the syncons

We are delivering syncons across five sites (two per site), including commissioning by February 2029 and ongoing operation and maintenance.

This Project is part of a broader portfolio of solutions to maintain system strength in NSW.

In addition to establishing the scope and timeframes for the Project, the PNIP Direction also determines how the Project should be delivered through a mix of competitively procured, contestable elements and non-contestable elements. This is a significant feature of the Project, which is categorised as a 'hybrid' project under the Guideline. As explained in this Proposal, the AER adopts a different approach to assessing the contestable and non-contestable components of a hybrid project to ensure that consumers do not pay more than necessary.

We have ensured that the Project plans and the Proposal are fully aligned with the PNIP Direction. Equally, we are focused on delivering the best outcome for consumers which means achieving the outcomes specified in the PNIP Direction at the lowest sustainable cost.

[1] Please find the original PNIP Direction linked here: NSW Government Gazette No 376 of 18 September 2025. The Direction also specifies that the Secretary of DCCEEW is considered the Infrastructure Planner for the purpose of the Project. The amended Direction including definition and timetable changes is available here: NSW Government Gazette No 115 of 27 March 2026.




Fit for purpose	Prudent	Efficient	Reasonable
Best outcomes for consumers	Optimal technical solution	Market tested and externally validated	Meets the delivery schedule in the PNIP Direction

Figure 2 We are committed to delivering the Project efficiently, at the lowest sustainable cost to consumers

2.3. Collaborating with our stakeholders in developing the Proposal

In developing the Proposal, we engaged with key stakeholders to understand their priorities and preferences, keep them informed, and, where possible, reflect their feedback in our plans. In addition to engaging with stakeholders, we have made every effort to ensure that the information presented in the Proposal is clearly explained and supported by detailed analysis.

A summary of how we have engaged with stakeholders is presented in figure 3 below.



TAC	Community and other key stakeholders	AER and DCCEEW
We ran deep-dive workshops with the TAC,[2] and their feedback was considered when developing our approach.	We engaged with local communities and stakeholders to inform them about the Project and understand local priorities, concerns and potential impacts.	We engaged regularly with both the AER and DCCEEW. Their feedback was considered and reflected in the Proposal.

Figure 3 How we engaged with our stakeholders

[2] The TAC has now been replaced by the Consumer Advisory Group or 'CAG' but has been referred to as the 'TAC' in this document to reflect the fact that the TAC was dissolved in February 2026 and for the sake of consistency.

The TAC has been our primary forum for engagement on key issues relating to the Proposal. The TAC is the principal regulatory stakeholder engagement forum, with TAC members representing consumer advocates and industry. The engagement approach with the TAC was guided by learnings gained from previous engagements on Revenue Proposals, our principles of engagement, the AER's Better Resets Handbook and the IAP2 Spectrum of Public Participation.

Our specific engagement approach for this Project, including identifying key areas the TAC could influence (which is primarily in relation to non-contestable elements and the design of key regulatory mechanisms), was developed in collaboration with the TAC.

We met regularly with DCCEEW during the preparation of the Proposal, reflecting both the requirements of our underwrite agreement and DCCEEW's role as the IP. We provided DCCEEW with an interim draft of the Proposal on 3 February 2026 for early feedback. We received DCCEEW's feedback on 12 February 2026 and incorporated it where appropriate. We shared further drafts of the adjustment mechanisms, and the full Proposal, for DCCEEW's review in early March 2026. In addition, DCCEEW undertook earlier engagement activities during project inception, including engaging with councils and other local stakeholders to gauge community sentiment.

Local engagement also formed an important part of the process. Later in 2025, we began engaging with local communities and stakeholders, including landowners and occupiers, local councils, Local Aboriginal Land Councils, and State and Federal Members of Parliament. As part of the Summary Environmental Report consultation process, the relevant councils and adjacent landowners and occupiers were formally notified of the intention to carry out works at the existing substations. More broadly, local engagement activities have included website updates, media releases, newspaper advertisements, correspondence with subscribers, landowner meetings, council engagement, engagement with environmental groups, engagement with Traditional Owners, online surveys, social media communications and community events.

How stakeholder feedback has been considered in the Proposal

We have received useful feedback throughout our engagement activities and have considered this in developing our Proposal. One area of particular interest related to 'adjustment mechanisms', which provide for adjustments to our revenue if defined events occur that either increase or decrease our costs.

We explained to the TAC that we intended to propose an adjustment mechanism in relation to major transport infrastructure upgrades that may be required to deliver the Project. This mechanism would allow us to recover the actual costs of these upgrades, subject to providing evidence that the costs incurred are prudent, efficient and reasonable. We explained that recovering the actual costs would be preferable to the AER providing an expenditure allowance that may turn out to be materially higher or lower than necessary.

The TAC supported our proposal in relation to the transport adjustment mechanism, particularly as it means that consumers only pay the actual costs of undertaking the transport upgrades, rather than a forecast amount that may not be required. More generally, the TAC expressed a strong preference that adjustment mechanisms should apply symmetrically, so that savings are passed back to consumers if costs are lower than expected. We confirmed that the operation of the adjustment mechanisms will ensure that consumers only pay the actual costs incurred and, therefore, will apply symmetrically.

We also explained to the TAC that we generally supported the application of the Capital Expenditure Sharing Scheme (CESS) to the non-contestable components of the Project. The CESS is an incentive scheme that rewards us financially if we make savings compared to the AER's capex allowance and penalises us if our capex is higher than expected.

We explained, however, that we intended to propose that the CESS should not apply to major transport infrastructure upgrades, as these costs are largely driven by external approvals, third-party requirements and site-specific constraints, rather than factors we can reasonably control or optimise. Applying the CESS in these circumstances would not align with its intended purpose, as variations in expenditure would reflect external drivers rather than efficiency outcomes. The TAC also supported our proposed application of the CESS.

The TAC had two points of difference with Transgrid's positions:

- The TACs' preference is that adjustments should be subject to a minimum threshold, similar to the pass-through arrangements in the NER. While we understand the need to minimise costs to consumers, section 37 of the EII Act establishes the principle that the Network Operator (i.e., Transgrid) is entitled to recover the prudent, efficient and reasonable costs incurred in carrying out the project. The application of a threshold to an adjustment mechanism would be inconsistent with that principle, as it would preclude Transgrid from recovering the prudent, efficient and reasonable costs incurred up to the threshold.
- The TAC generally does not support financeability adjustments. While a financeability adjustment is not proposed in relation to this Project, this is also an area where we take a different view to the TAC. When required, such adjustments are an important mechanism for ensuring that important infrastructure projects can be financed so that the benefits for consumers can be obtained.

In addition to the matters discussed above, the TAC's influence on the Proposal included:

- advising that the draft Proposal did not clearly communicate in some places, leading us to amend the proposed drafting and provide additional information.
- asking us to clarify how risk was allocated between Transgrid, contractors, adjustment mechanisms.
- commenting on draft adjustment mechanisms, leading us to clarify the Proposal and improve the coverage description.
- seeking further information on consumer bill impacts.
- endorsing the proposed approach to transport adjustment mechanisms and the CESS.

3. Revenue Proposal for the 2026-31 regulatory control period

A summary of the key considerations that have informed the Proposal is set out below.

3.1. A hybrid Proposal containing contestable and non-contestable elements

Our Proposal is referred to as a 'hybrid' proposal because the PNIP Direction includes contestable and non-contestable elements. Each of these is assessed differently under the Guideline, as shown in figure 4 below.

	Contestable elements	Non-contestable elements
How the AER assesses them for prudency, efficiency and reasonableness	The AER first assesses whether the competitive process was genuine and appropriate. If it is satisfied, it must accept the resulting costs as prudent, efficient and reasonable. If not, the costs are assessed using the non-contestable approach.	The AER applies the EII Chapter 6A expenditure test. This means assessing whether costs reflect efficient outcomes, what a prudent operator would incur, and realistic input costs, having regard to relevant factors.
Cost categories	Original Equipment Manufacturer (OEM) supply contract, Delivery & Construction (D&C) contracts, Long-term Service Agreement (LTSA) for the syncons.	Internal labour and indirect costs, maintenance and operation.
How we engaged with stakeholders	We engaged closely with the AER and DCCEEW throughout the procurement and the Proposal development, including sharing drafts and incorporating feedback where appropriate.	We engaged primarily with the TAC, seeking input on areas such as risk allocation, adjustment mechanisms and incentive design

Figure 4 How different elements of the Project are assessed and how we engaged with stakeholders

In this context, the hybrid structure of our Proposal is consistent with the PNIP Direction, the EII Regulations and the Guideline. It ensures that each component of the Project is assessed in a manner that reflects how it will be delivered and applies regulatory scrutiny appropriately to each component.

3.2. The unique delivery challenges of the Project

The Project involves several interrelated delivery challenges that influence how it is planned, costed, and delivered. These challenges arise from the need to deliver critical and complex technical infrastructure within a compressed timeframe and coordinate delivery across multiple sites. They include:

1	Delivering at pace to meet a time-critical need	The Project must be delivered within a compressed timeframe to address an urgent system strength requirement, as set out in the PNIP Direction. To meet this timeline, some activities commenced in parallel with the development of the Proposal. While the pace of delivery has been challenging, we have taken care to ensure that it does not compromise cost efficiency, quality or safety.
2	Transporting large and specialised equipment	The syncons and associated transformers are exceptionally large and heavy pieces of equipment. Transporting them safely from port to site requires detailed route assessments, which have yet to be completed, and may involve upgrades to existing road and bridge infrastructure. At this stage, the scope and cost of these transport-related works cannot be fully determined. This creates genuine uncertainty and is why adjustment mechanisms are an important feature of the Proposal.
3	Managing technical complexity and quality	Syncons are highly specialised and precision-engineered assets. Their performance depends on strict manufacturing and quality standards, where even minor defects can affect reliability and operation. To manage this risk, our delivery approach includes enhanced technical oversight, including additional quality assurance processes and detailed review of manufacturing and testing.
4	Coordinating a multi-site program of work	The Project involves delivery across five geographically dispersed sites. This coordinated program of works is planned to be managed via strong program governance, effective coordination across multiple contractors and workstreams, and sufficient resourcing across technical, commercial and delivery functions.
5	The Project includes a combination of brownfield and greenfield works	Each Project location presents different risks and delivery requirements, including managing safety, maintaining network operations, and coordinating outages. There are also significant interdependencies between activities, requiring careful planning and sequencing to avoid delays and inefficiencies.
6	Integrating new assets into the existing network	The Project involves integrating new and modified assets into the existing transmission network, including asset types that are relatively new in the system. This creates additional complexity in ensuring compliance with technical standards and maintaining safe and secure network operations.
7	Meeting contractual and regulatory obligations	We are also required to deliver the Project in accordance with our contractual obligations with DCCEEW, including meeting specified scope and timelines. These obligations reinforce the need for a disciplined and well-coordinated delivery approach.

3.3. We are committed to delivering the Project in a prudent, efficient and reasonable way

We have prepared our expenditure forecasts for the Project to reflect the best course of action and the lowest sustainable costs to consumers to achieve the expenditure objectives outlined in EII Chapter 6A, namely:

- to meet or manage the expected demand over the Regulatory Period
- to comply with all regulatory requirements in the EII Regulations
- to maintain the safety of the Project through the supply of regulated network services.

We have also taken a considered approach to delivering and operating the Project, with a focus on managing its unique challenges and optimising outcomes for consumers. Drawing on experiences from recent and ongoing projects, we have adapted our delivery strategy to address specific project characteristics. For example, we have:

- compressed the Project schedule without compromising cost efficiency or performance outcomes
- chosen a delivery strategy involving separate OEM and D&C contracting arrangements, which ensures that each component is competitively priced.

At the same time, we have actively sought to achieve efficiencies in the design and delivery of the Project by leveraging experience from other projects, such as Project EnergyConnect. These efficiencies reflect deliberate choices to reduce cost and risk, where possible, while maintaining the required performance outcomes. Figure 5 describes specific actions we have taken to drive improved outcomes for consumers.

What we did		Why it matters	
	Conducted a genuine and competitive procurement process for contestable elements		Contract prices reflect competitive market outcomes, supporting costs that are prudent, efficient and reasonable
	Maximised the use of existing substation footprints		Minimise land acquisition, environmental approvals and delivery risk
	Adopted efficient design solutions		Ensure syncons are located as close as possible to existing busbars to avoid unnecessary investment in new facilities
	Used two smaller syncons per site instead of one larger unit		Reduces unnecessary infrastructure and associated costs
	Awarded the OEM contract and LTSA to a single supplier		Improves standardisation and reduces complexity
	Used external cost estimates, including input from our insurance broker		Ensures cost forecasts are reliable, transparent and based on current industry knowledge and expertise
	Engaged GHD and North Projects to review and verify Project costs		Provides assurance that costs are prudent, efficient, reasonable, and in consumers' long-term interests

Figure 5 Delivering efficient outcomes for consumers

In summary, our approach is intended to achieve the best outcome for consumers. Accordingly, the capital and operating expenditure forecasts presented in the Proposal are prudent, efficient and reasonable.

3.3.1. Our total capital expenditure forecast

Our total capex forecast for the Project is $1,179.60 million (excluding equity raising costs) over the Regulatory Period. This forecast reflects both the cost incurred to date and the forecast costs of delivering the Project over the Regulatory Period, including both the contestable and non-contestable elements.

Our total capex for the Project during the Regulatory Period, and the drivers for each expenditure category are set out in the table below. It shows that most project costs are related to the contestable elements of the Proposal. As the AER has concluded that the procurement process for the contestable elements was conducted on a genuine and appropriate basis, these costs are regarded as prudent, efficient and reasonable.

Table 1 Breakdown of capex categories and key drivers of cost ($m, September 2026)

Cost category	Pre-Period	Regulatory Period	Total	Key drivers of cost
Contestable elements				
Contestable elements	216.78	701.34	918.12	Based on competitive procurement for the OEM Supply Agreement, D&C Contracts and LTSA Capital Spares costs. This reflects market and negotiated prices for the works.
Non-contestable elements				
Infrastructure planner fees	2.04	5.77	7.81	Fee as advised by the Infrastructure Planner to support the Project.
Easement acquisition	-	-	0.05	N/A
Equipment	9.06	1.28	10.33	Based on quotations from a panel of equipment suppliers which was competitively sourced.
Fleet acquisition	0.56	-	0.56	N/A
Buildings	-	7.14	7.14	Informed by quotations based on scope provided for additional space to house the syncon spares equipment.
Risk cost allowance	4.45	13.96	18.41	Informed by a robust and comprehensive risk identification and allocation approach.
Labour costs	53.98	120.86	174.84	Calculated using expected resource requirements needed to manage the Project, benchmarked against similar projects previously undertaken. We have accounted for the Project's delivery challenges in determining resource requirements.
Indirect non-labour costs	25.59	15.03	40.62	Informed by Project activities required including engineering studies, insurance costs and assurance reviews, and based on current market rates, quotations and recent historical data.
Labour escalation	-	1.72	1.72	Based on independent report from Oxford Economics.

Cost category	Pre-Period	Regulatory Period	Total	Key drivers of cost
Equity raising costs	-	5.42	5.42	Calculated within the Post-Tax Revenue Model (PTRM).
Total capex (excluding equity raising costs)	**312.50**	**867.09**	**1,179.60**	As above.
Total capex	**312.50**	**872.51**	**1,185.01**	As above.

3.3.2. Our total operating expenditure forecast

Our total opex forecast for the Project for the Regulatory Period, including the contestable and non-contestable components, is $60.06 million (including debt raising costs). The key drivers for each component are outlined in the table below.

Table 2 Breakdown of key drivers of opex

Cost category	Key drivers of cost
Contestable elements	
LTSA costs	As part of the competitive tender process for the OEM Supply Agreement, a 10-year long-term service agreement has been negotiated.
Non-contestable elements	
Maintenance costs	Covers ongoing maintenance of commissioned assets, (e.g. plant, switchbays, automation systems, buildings, operational technology and fire systems). Includes routine maintenance, inspections and callouts, as well as condition-based and defect maintenance not covered by the LTSA, and costs to support safe delivery of works by the LTSA provider.
Operating costs	Reflecting the incremental ongoing activities required to operate the Project assets, meet our regulatory requirements and securely manage our transmission network once the syncons enter operational phase.
Insurance costs	Estimated premiums for insurance, based on independent report from Marsh[3].
Real labour cost escalation	Based on independent report from Oxford Economics
Debt raising cost	Calculated within the PTRM.
Total opex	As above

3.3.3. Our revenue requirement and payment schedule

Our proposed revenue requirement for the Regulatory Period is $400.83 million (nominal). The table below shows the building blocks that comprise the revenue calculation on an annual basis in nominal dollars.

Table 3 Proposed revenue over the Regulatory Period – Detailed breakdown ($m, Nominal)

[3] See attachment S.3 Accelerated Syncon Project - Insurance Report_Final – CONFIDENTIAL.

	2027	2028	2029	2030	2031	Total
Return on capital	22.35	56.50	83.32	89.08	88.68	339.94
Return of capital	(8.40)	(7.71)	(2.16)	5.65	6.84	(5.79)
Operating expenditure	0.67	7.64	17.09	19.36	21.55	66.32
Revenue adjustments	-	-	-	-	-	-
Corporate income tax	0.36	-	-	-	-	0.36
Maximum allowed revenue	**14.98**	**56.44**	**98.25**	**114.09**	**117.07**	**400.83**
NPV (as at 30 September 2026)						**313.49**

We have calculated the schedule of quarterly payments proposed to be paid by the Scheme Financial Vehicle (SFV). The quarterly payments are equivalent to the annual revenues on an NPV basis, which takes into account the timing differences between the two revenue profiles.

Table 4 Proposed quarterly payments for the Regulatory Period ($m, Nominal)

Year	Quarter 1 (31 December)	Quarter 2 (31 March)	Quarter 3 (30 June)	Quarter 4 (30 September)	Total
2027	3.56	3.62	3.68	3.74	14.60
2028	13.41	13.64	13.87	14.11	55.03
2029	23.34	23.74	24.15	24.56	95.79
2030	27.10	27.57	28.04	28.52	111.23
2031	27.81	28.29	28.77	29.27	114.14
Total ($)	**95.22**	**96.85**	**98.52**	**100.21**	**390.79**
NPV (as at 30 September 2026)					**313.49**

The proposed payments can be translated to an expected bill impact for consumers for 2026-2031 as set out in Figure 5 below.

Figure 5 Bill impact estimate

A modest bill impact for critical system service

The estimated bill impact of the System Strength Project is approximately $5.47 per year for residential households and $12.21 per year for small businesses over the Regulatory Period, in nominal dollars. This estimated bill impact is lower than the figure quoted in the Consumer Explainer available on our System Strength project page which includes the costs of our broader portfolio of system strength solutions, rather than this project alone.

3.4. Adjustment mechanisms and incentives

The EII framework provides for adjustments to our revenue if defined events occur that either increase or decrease our costs. We have proposed adjustment mechanisms that efficiently allocate risks between Transgrid and consumers.

In relation to major transport infrastructure upgrades that may be required to deliver the Project, we have proposed an adjustment mechanism that enables us to recover the actual costs incurred. The Proposal is supported by the TAC, particularly as it means that consumers only pay the actual costs of undertaking the transport upgrades, rather than a forecast amount that may not be required.

In the Proposal, we support the general application of the Capital Expenditure Sharing Scheme (CESS) to the non-contestable components of the Project, and note that CESS does not apply to the contestable components. We also propose, however, that the CESS should not apply to major transport infrastructure upgrades. These costs are subject to significant uncertainty at the time of the Proposal and are largely driven by external approvals, third-party requirements and site-specific constraints, rather than factors we can reasonably control or optimise. Applying the CESS in these circumstances would not align with its intended purpose, as variations in expenditure would reflect external drivers rather than efficiency outcomes. The TAC has also supported our proposed application of the CESS.

3.4.1. Middle East Conflict impacts

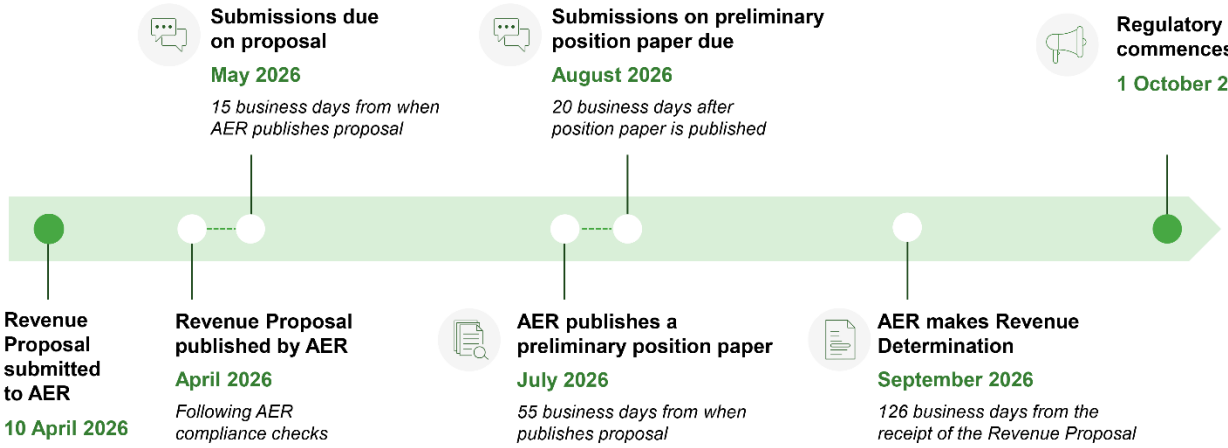
As of April 2026, the Middle East is experiencing a regional conflict (Middle East Conflict) with significant global impacts arising from the effective closure of the Strait of Hormuz—a critical chokepoint for around 20% of global oil and LNG supply. This is driving shipping disruptions, higher freight costs, elevated oil, petroleum and LNG prices, and shortages of some critical commodities.

The D&C contracts have not been executed at the time of this regulatory submission. The conflict in the Middle East commenced after Best and Final Offer (BAFO) submissions from contractors, but prior to contract execution. As a result, the contractors are currently negotiating an additional contract provision to ensure they have sufficient coverage for additional time and/or costs relating to this conflict. The reason for the contract change is that the force majeure clause does not provide coverage for “known” conflicts at the time of contract execution and, therefore, excludes the Middle East Conflict. We have ensured that the adjustment mechanisms relating to the D&C contracts recognise the potential impact of this conflict.

For the avoidance of doubt, we also propose that no CESS applies to any cost increases caused by the Middle East Conflict as such increases would be entirely outside our control.

4. Next steps

The AER’s review process and next steps are shown in the timeline below. This Revenue Proposal will be submitted in April 2026 to enable the AER to make a Revenue Determination in September 2026. The Regulatory Period will commence 1 October 2026.



The AER will invite submissions on our Revenue Proposal for a period of 15 business days from the date it is published. 55 business days after receiving the Revenue Proposal, the AER will publish a preliminary position paper, which will be open for submissions for a further 20 business days. The AER will publish its Revenue Determination and supporting analysis 126 business days from the date of receipt of the Revenue Proposal.