

A.3 Non-Contestable Labour and Indirect Capex Forecasting Methodology

System Strength Project 2026–2031 Revenue Proposal

April 2026



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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. Gill. Nanga, the indigenous
interpretation of Power. People. Possibilities

1. Purpose, structure and scope of this document

1.1. Context

The NSW Minister for Energy made a Priority Network Infrastructure Project (PNIP) direction (PNIP Direction) to Transgrid on 12 September 2025, to deliver the System Strength Project (the Project) under the Electricity Infrastructure Investment Act 2020 (NSW) (EII Act). The Minister appointed the Secretary of DCCEEW as the Infrastructure Planner (IP).

The Project involves installation and commissioning of ten syncons at five sites around the existing Transgrid network to ensure system strength can be maintained post the decommissioning of the legacy NSW based coal power generators. The PNIP Direction specifies that Transgrid is to connect and commission each of the syncons by 29 February 2029.

With Transgrid directed to undertake the Project by the Minister, the Project will follow a hybrid regulatory approach in accordance with the Electricity Infrastructure Investment Act 2020 (NSW) (EII Act). There are elements of the Project which are contestable and non-contestable (as further highlighted below).

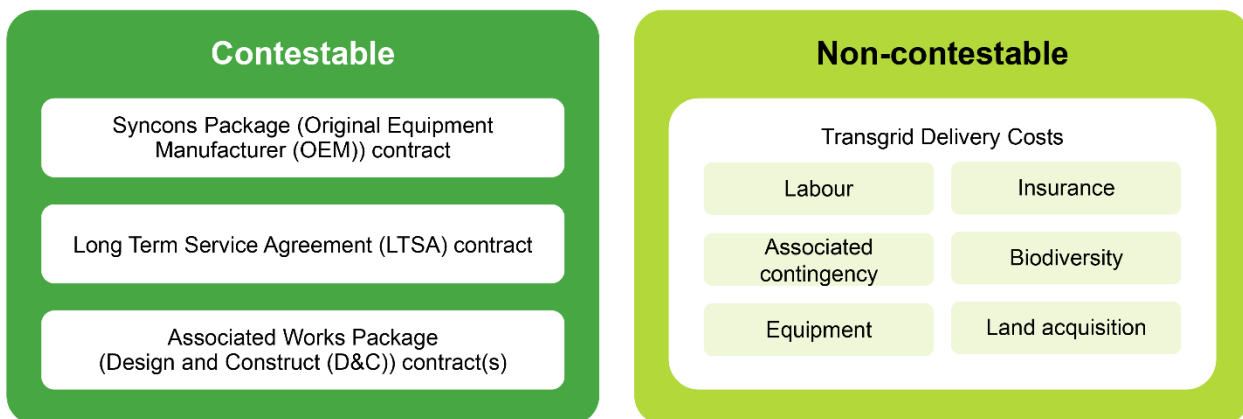


Figure 1 Breakdown of the Contestable and Non-contestable elements of the Revenue Proposal (the Proposal). The non-contestable internal costs are described in this document.

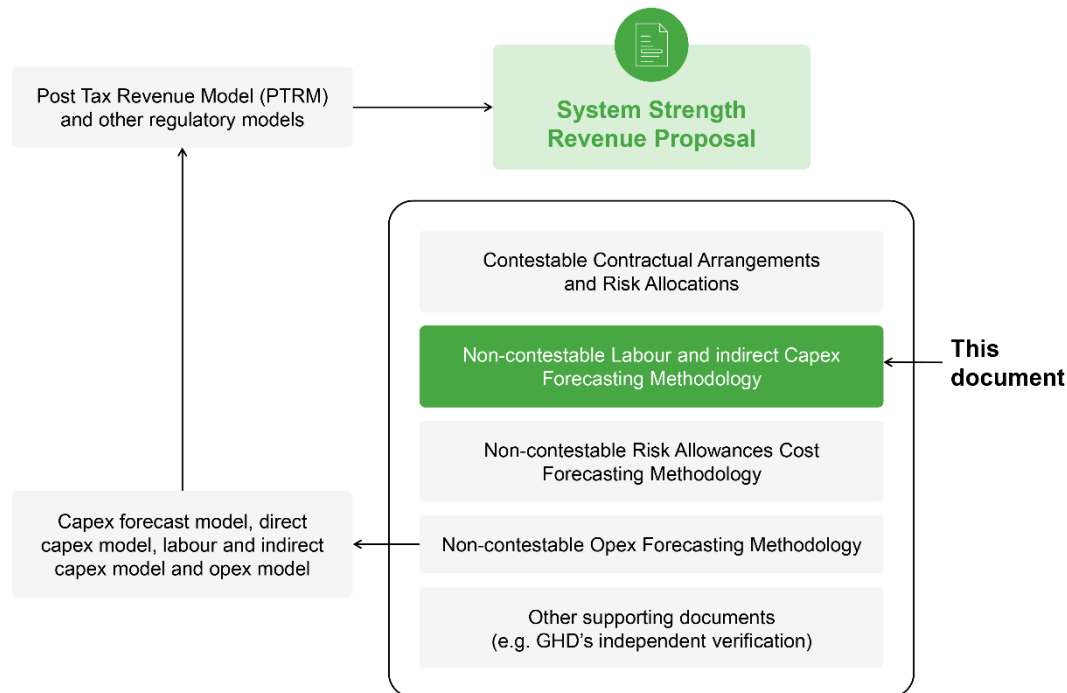


Figure 2 System Strength Proposal structure

The Project is the first hybrid PNIP to be delivered under the NSW EII framework. The AER finalised an update to its revenue determination guideline for NSW non-contestable projects in December 2025 to cater for hybrid projects.

We note that the Project presents a unique set of delivery challenges largely driven by the delivery program required to maintain system strength in NSW, and the novel interfaces and complexities associated with ensuring the successful integration of the OEM supplier and D&C contractor works into the existing NSW transmission network at five geographically dispersed locations.

The Project will be delivered in accordance with Transgrid’s Project Management Framework (PMF) which is aligned with the Project Management Institute’s Body of Knowledge project management standard. We have taken a thoughtful approach to delivering the Project, focusing on effectively managing these challenges and optimising project outcomes. We have drawn on lessons learned from recent and ongoing projects and have adapted our delivery strategy to ensure we meet the tight delivery timeframes.

Our internal resource cost allowance is reasonable to manage the risks effectively and efficiently with project resources only forecasted for the duration of their allocated sites or tasks. The labour forecast is based on the construction program. There is no allowance for any prolongation of Transgrid resources in our labour and indirect capex with this risk being covered through our proposed risk cost allowance and Adjustment Mechanisms. Site specific resources assigned to a site are planned to be redeployed at the end of the current construction period, which reduces the Project costs. For further project information please refer to the principal revenue proposal document.

1.2. Purpose and scope of this document

The purpose of this document is to explain and justify the methodologies we have used in developing our labour and indirect actual and forecast capex for the Project. Labour and indirect capex relate to non-contestable costs that we will incur for internal labour resources to support the Project until the end of the first Regulatory Period. Labour and labour-related capex also includes on-costs, support costs, outsourced labour, recruitment and training costs, travel and accommodation and sustenance and costs that we will incur for indirect activities for a wide range of professional and consulting services. Indirect capex also includes licence fees, project site office costs, legal fees and insurance premiums.

In this case, our labour and indirect costs comprise:

- actual costs incurred from 31 December 2022 to 31 January 2026, captured as part of the Proposal in our pre-period costs
- forecast costs from 1 February 2026 to 30 September 2031, which includes forecast pre-period costs from 1 February 2026 to 30 September 2026 and forecast Regulatory Period costs from 1 October 2026.

1.2.1. Key assumptions and conventions

- We have proposed an initial Regulatory Period from 1 October 2026 to 30 September 2031.
- We have identified forecast expenditure as either capex or operating expenditure (opex) in a manner consistent with relevant accounting standards including AASB116 (the accounting standard for property, plant and equipment) and our Expenditure Capitalisation Standard.
- We have treated all project labour and indirect costs incurred during the development and construction phase as capex as they are directly attributable to the Project. Moreover, they will be incurred prior to project completion, and they form part of a systematic and planned activity of the Project.¹
- We have separately captured operation and maintenance related labour costs in the opex forecast. This is reflected in the opex Forecast Model and explained in the opex Forecasting Methodology (attachment A.4 Non-Contestable Opex Forecasting Methodology).
- Our approach to resourcing the Project and calculating our labour and indirect costs is described in this document. It is consistent with the approach we have taken for other projects and has been verified externally by GHD and resourcing levels were benchmarked by North Projects.
- Unless otherwise stated, all values in this document are presented in September 2026 dollars.²
- We do not discuss real labour escalation in this report; real labour escalation is applied in the Capex Forecast Model, as explained in the Principal Application document.
- Totals presented in tables may not add due to rounding. Zero values in tables are included where the specific units used do not allow for a meaningful representation of the costs (i.e. the costs are less than \$0.1 million).

¹ Refer to section 4.3.1 of our Expenditure Capitalisation Standard.

² The financial values exclude both inflation and any real input cost escalation (including labour) from 30 September 2026 onwards unless otherwise stated.

1.3. Document structure

The remainder of this document is structured as follows:

- Chapter 2 summarises historical and forecast direct labour and indirect capex for the Project
- Chapter 3 sets out our actual direct labour and indirect capex incurred from 31 December 2022 to 31 January 2026 (actual pre-period costs)
- Chapter 4 explains and justifies our forecasting methodology for labour, labour-related and indirect capex
- Chapter 5 provides a detailed breakdown of our forecast labour and indirect capex
- Chapter 6 sets out the key assumptions underpinning our forecast labour and indirect capex.

There are other attachments and models that support, and form part of, the Proposal for the Project. Where relevant, this document references these attachments, models and other supporting documents.

2. Summary of total labour and indirect capex

Our forecast labour, labour-related and indirect capex cover key project functions and professional and consulting services that we require to deliver the Project safely, efficiently and on schedule. These costs reflect the resources that we require to undertake our role during project development, construction and commissioning phases.

Our total forecast of \$215.46 million for total labour, labour-related, and indirect capex (excluding labour escalation) includes:

- \$35.69 million in pre-period actual costs incurred between 1 December 2022 to 31 January 2026
- \$43.87 million in pre-period forecast costs between 1 February 2026 and 30 September 2026
- \$135.89 million in forecast capex over the Regulatory Period.

These cost forecasts are critical to securing the necessary capabilities and services required to progress the Project through design reviews, approvals, land acquisition, stakeholder engagement, construction and handover.

The forecast comprises the following key cost components:

- **Direct labour costs** which cover project development, project delivery management, community and stakeholder engagement, land and environmental activities and other support and corporate activities, documented further in Section 5.7.
- **Direct labour-related costs** which cover travel expenses, training, recruitment and IT hardware costs.
- **Indirect costs** which cover professional and consulting services. These costs include consultancy costs associated with include modelling including development of the hybrid PTRM alongside independent assurance of our submission, and our PNIP negotiations with the NSW Government and financing arrangements. Indirect costs also include a portion of capitalised labour and labour-related costs.

Table 1 summarises the total forecast direct labour, labour-related and indirect capex for the Project, including pre-period costs.

Table 1 Total labour and indirect capex for the Project, including pre-period capex (\$M, September 2026)

Cost Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour	35.86	33.96	32.30	9.14	-	-	111.26
Direct labour-related	1.93	4.78	3.88	0.53	-	-	11.12
Indirect	41.78	22.45	22.10	6.75	-	-	93.07
Total	79.57	61.18	58.28	16.42	-	-	215.46

We have developed our capex forecast to support the timely and cost-effective delivery of the Project, whilst achieving the capital expenditure objectives, outlined in EII Chapter 6A, to:

- meet or manage the expected demand for regulated network services
- comply with all regulatory requirements (as defined in the EII Regulations)
- maintain the safety of the Project through the supply of regulated network services.

Our proposed capex is prudent, efficient and reasonable, and reflects a delivery approach focused on managing the unique and complex challenges of the Project, to optimise outcomes and meet the agreed delivery timeframes, because:

- **The scope of works underpinning the forecast is consistent with our PNIP and our contractual obligations** under the Underwrite with DCCEEW as IP. These instruments define the required scope, technical specifications and delivery timeframes for the Project. The technical scope of the Project has been independently verified by GHD as appropriate to meet the requirements set out in the Underwrite and PNIP.
- **The team has been established to ensure there is no duplication of resources and functions.** Each resource has an assigned role within the Project team and performs a function with clear accountabilities and responsibilities across the team.
- **Our labour and indirect cost forecast has been tailored to reflect the Project's complex technical delivery requirements and accelerated timeline.** This includes the extensive contract obligation management and the complexity associated with the integration of complex syncons within our transmission network. This necessitates robust and innovative network planning, sophisticated coordination, dedicated commercial support and increased oversight of asset management and real-time network operations.
- **Our approach to delivering the Project ensures optimal resource utilisation.** We have appointed an OEM supplier to supply and install the syncons alongside two D&C contractors to complete the enabling works to enable the connection, leveraging their experience for skill-specific work.
- **Our project delivery approach is underpinned by internal labour resources that provide the required project management, commercial and technical capability to meet delivery objectives.** The proposed team structure, stream objectives and scheduled hours have been deliberately designed based on established delivery experience and proven practices to ensure effective oversight, efficient execution and timely issue resolution.
- **Sufficient specialist resources are allocated to manage interfaces with existing Transgrid substations across the five sites,** and third party stakeholders, including road authorities responsible for approvals relating to the transport of oversize and overmass equipment. This resourcing approach supports effective coordination, minimises interface risk, and provides confidence that construction activities will be managed in a controlled and disciplined manner.

Overall, this resourcing strategy is critical to maintaining delivery certainty and ensuring the Project is completed in accordance with the NSW Government's required timeframes. Accordingly, our labour and indirect capex forecast is prudent, efficient and reasonable. We have validated our forecasting methodology through a combination of internal benchmarking and independent expert verification. Specifically, our forecast reflects:

- cost estimates for specific cost categories provided by service providers (such as our insurance broker). The use of independent cost estimates ensures reliability and transparency in the cost estimation process
- rates outlined in existing supplier agreements and contracts, ensuring cost estimates reflect current market conditions
- a reliance on past actual costs where appropriate, including benchmarking against comparable projects to ensure costs are reasonable considering recent market performance
- review and verification of project costs by GHD. Independent verification provides additional validation that cost estimates are prudent, efficient and reasonable.

This framework for cost estimation ensures costs are consistent, transparent, robust and can be adequately justified with supporting information. This evidence-based approach to forecasting ensures consumers are paying no more than they should be for the services they will receive. It means that resourcing and cost forecasts are prudent, efficient and reasonable.

The figure below shows the breakdown of forecast direct labour and labour-related capex and indirect capex, representing 62 per cent and 38 per cent of the total labour and indirect costs for the Project, respectively.

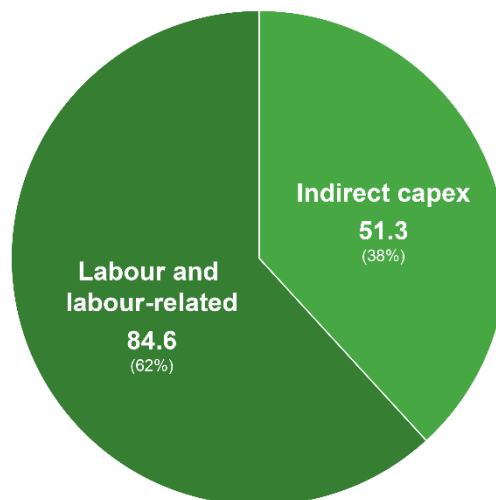


Figure 3 Split of the Project's forecast labour (including labour-related) and indirect capex (\$M, September 2026)

Indirect capex includes both external non-labour inputs and a portion of our capitalised labour and labour-related costs. We apply a standard cost allocation approach whereby 70 per cent of capitalised labour and labour-related costs are attributed to direct capex, and the remaining 30 per cent are captured as indirect capex. This is consistent with the approach used in the cost allocation models for other Transgrid projects such as CWO Enabling Project, Waratah Super Battery (WSB) non-contestable, Project Energy Connect, VNI West Stage 1 and HumeLink Stage 2. This approach is discussed further in Section 4.4.1.

The Figure below shows the breakdown of indirect capex for the Project over the Regulatory Period. Of the total forecast indirect capex, non-labour costs comprise approximately 29 per cent, while labour and labour-related costs account for the remaining 71 per cent.

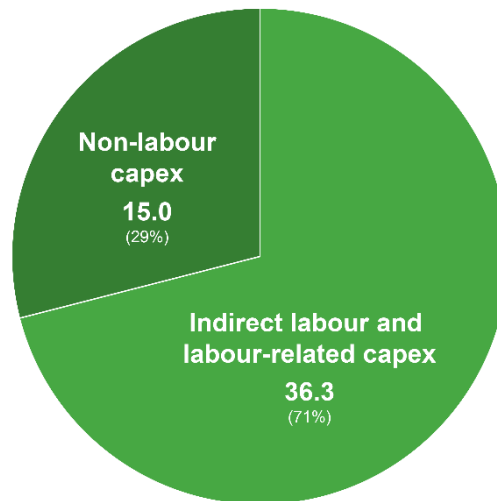


Figure 4 Split of forecast indirect capex – non-labour cost and a proportion of labour and labour-related costs (\$M, September 2026)

2.1. Key capex subcategories

Labour and labour-related costs are grouped into seven subcategories:

1. **Project development** – includes engineering and design activities carried out from the concept phase through to construction. This encompasses design reviews, coordination with original equipment manufacturer (OEM) and design and construct (D&C) contractors.
2. **Transaction procurement support** – includes all resourcing to support the procurement and engagement of the OEM and D&C contractors.
3. **Project delivery management** – encompasses project management, construction management, commissioning, engineering, commercial and contract management, as well as project controls.
4. **Community and stakeholder engagement** – covers all activities related to engagement with impacted landowners, local communities, and other stakeholders.
5. **Land and environment** – involves resources dedicated to environmental assessments and approvals, stakeholder consultation, easement acquisition, and ongoing site-based environmental and property management.
6. **Regulatory approvals** – includes all activities to prepare this Proposal and development of the Regulatory Investment Test – Transmission (RIT-T) for System Strength. This includes costs to support the AER review and determination process.
7. **Other support and resources to deliver the Project** – provides general project delivery support through functions such as portfolio management and oversight, regulatory compliance, health and safety, legal, risk and audit, finance, and network operations.

As outlined above, indirect costs comprise both non-labour costs and a portion of labour and labour-related costs. Table 2 presents the detailed breakdown of both direct labour and labour-related costs, as well as the associated indirect costs. Justification of resources for each category is provided in the sections below.

Table 2 Breakdown of direct labour and labour-related and indirect capex over 2026–31 Regulatory Period (\$M, September 2026)

Capex Category	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)						
Project Development	1.10	0.19	0.07	-	-	1.36
Transaction Procurement Support	0.30	0.29	-	-	-	0.58
Project Delivery Management	26.38	26.10	6.76	-	-	59.24
Community and Stakeholder Engagement	0.03	-	-	-	-	0.03
Land and Environment	1.17	1.17	0.11	-	-	2.46
Regulatory Approvals	0.03	-	-	-	-	0.03
Other Support and Corporate Roles	4.95	4.55	2.20	-	-	11.71
Direct labour-related						
Project Development	1.34	0.47	0.00	-	-	1.81
Transaction Procurement Support	-	-	-	-	-	-
Project Delivery Management	3.42	3.39	0.53	-	-	7.33
Community and Stakeholder Engagement	0.00	-	-	-	-	0.00
Land and Environment	0.00	0.00	0.00	-	-	0.01
Regulatory Approvals	0.00	-	-	-	-	0.00
Other Support and Corporate Roles	0.02	0.02	0.01	-	-	0.04
Indirect						
Proportion of direct labour and labour-related	16.60	15.51	4.15	-	-	36.26
Non-labour	5.84	6.59	2.60	-	-	15.03
Total direct labour and indirect capex	61.18	58.28	16.42	-	-	135.89

From 1 February 2026, we estimate that there will be approximately 77 full time equivalents (FTEs) working on average per month (including outsourced labour). These roles are required to manage the complex commercial and delivery requirements of the Project. The approach adopted is prudent, efficient and reasonable to ensure works are delivered in the required timeframes and minimise the risk of cost overruns. The majority of this workforce relates to Project Management, Construction Management and Commissioning, reflecting the need to manage the complex and interdependent construction activities, as shown in Figure 5 below.

We benchmarked the workforce requirements for the Project against recent projects completed by Transgrid and the proposed workforce numbers and composition are aligned, when considering the size and complexity of the Project. This internal benchmarking is supported by external benchmarking by North

Projects which compares the Project against non-Transgrid infrastructure projects and concludes that the workforce requirements for the Project are reasonable.

The number of monthly FTEs is expected to be highest in 2026–27 as the Project will be in the construction phase. The forecast assumes that site resource levels reduce soon after the planned energisation dates. Contract management and administration resources reduce after one month and more technical resources like project engineers are forecast to reduce two months after energisation. This post-energisation resource allocation allows for defect rectification during the defects liability period, asset handover, site close out and contract Separable Portion close out.

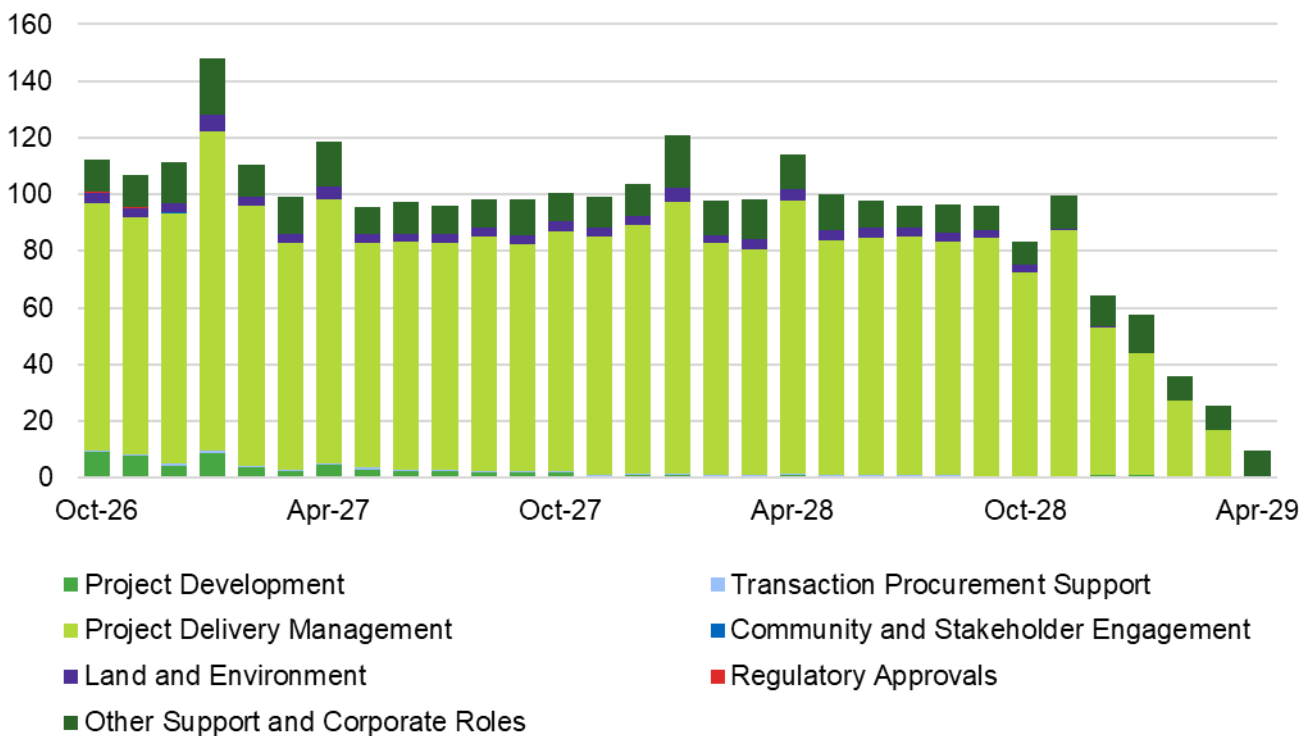


Figure 5 FTE requirements, from October 2026 to April 2029 (including overtime)

2.2. Basis of forecast capex

We are committed to delivering the Project at the lowest sustainable cost while meeting our contractual delivery commitments, the expenditure objectives under EII Chapter 6A and the objects of the EII Act. To support these objectives our labour and indirect capex forecasts have been developed using a bottom-up build of role-based requirements, subject to structured top-down review, executive challenge, peer review, and independent external assurance.

These forecasts have been prepared in accordance with our internal governance processes and cost estimation framework, which promote consistency, transparency, and robust decision-making. We have used benchmarking to test the order of magnitude and functional composition of resourcing, rather than as a direct cost comparator, given the Project’s unique delivery characteristics.

In addition, our indirect non-labour cost forecasts are primarily based on actual supplier arrangements and quotes. The need for these services was identified through internal planning and scope development, drawing on our experience from other brownfield substation projects. Where it is too early to undertake a

formal procurement process, we have relied on historical cost data, recent comparable experience, and reasonable assumptions to inform our estimates.

To further support the robustness of our forecast, an independent assurance review has been undertaken by our external advisor, GHD, to validate the scope of works and associated cost estimates.

Overall, this forecasting approach ensures that the labour and indirect components of our capex forecast are prudent, efficient, and reasonable, consistent with the requirements of the EII Act, EII Regulations, and EII Chapter 6A.

Table 3 summarises each capex category and the basis of the forecast.

Table 3 Forecast labour, labour-related and indirect capex for the Project over the 2026–31 Regulatory Period by category (\$M, September 2026)

Category of capex	Value	Basis of capex forecast
Labour and labour-related capex	84.60	
Project Development	3.17	Detailed bottom-up build of internal resourcing requirements based on contractual split of responsibilities and project durations. Bottom-up build incorporates lessons learnt from previous projects. Detailed bottom-up build validated through top down review by management and independent assurance conducted by GHD and North Projects.
Transaction Procurement Support	0.58	
Project Delivery Management	66.57	
Community and Stakeholder Engagement	0.03	
Land and Environment	2.47	
Regulatory Approvals	0.03	
Other Support and Corporate Roles	11.75	
Indirect capex	51.29	
Proportion of labour and labour-related allocated to indirect capex	36.26	Consistent with Transgrid's standard cost allocation approach whereby 70 per cent of capitalised labour and labour-related costs are attributed to direct capex, and the remaining 30 per cent are captured as indirect capex. This is the approach used for cost allocation for other Transgrid projects and approved by the AER in the relevant determinations.
Overarching business costs	6.89	Bottom up build of costs with a portion allocated to the syncons project.
Class B program management initiatives	4.79	Bottom up build of proposed project management and delivery initiatives with a portion allocated to syncons.
Insurance	1.48	Based on independent report from Marsh
Other consultancy costs	0.64	Based on costs of existing engagements which were competitively sourced through our panel arrangements or estimates based on previous engagements.
Other indirect costs	1.23	Third party estimates where available.

Category of capex	Value	Basis of capex forecast
Total incremental capex	135.89	

3. Our actual pre-period capex

We incurred costs in respect of the Project from December 2022 to January 2026, prior to the commencement of the Regulatory Period. Our historical capex is based on transactions recorded in Ellipse, which is our enterprise resource planning (ERP) system. We have allocated and attributed historical capex to the Project in accordance with our approved cost allocation methodology (CAM).³ We have also treated historical capex in accordance with our capitalisation policy.

We have allocated our actual labour and indirect capex that we incurred on the Project from December 2022 to January 2026 to the indirect capex categories outlined above, which include:

- labour and labour-related capex including travel, expenses (including accommodation, meal allowances and other expenses) and support costs
- non-labour capex including consulting and legal fees, and outsourced labour and work related to the categories outlined in Table 4.

Our actual pre-period labour and indirect capex is \$35.69 million. Table 4 shows our actual labour and indirect capex by category and by year.

Table 4 Actual pre-period costs (\$M, September 2026)

Capex Category	2022-23	2023-24	2024-25	2025-26	Total
Direct labour (internal and outsourced)	1.45	2.67	7.70	3.37	15.19
Project Development	1.45	2.46	5.12	0.52	9.55
Transaction Procurement Support	-	0.01	0.23	0.22	0.46
Project Delivery Management	-	0.14	1.44	2.14	3.73
Community and stakeholder engagement	-	-	0.05	-	0.05
Land and Environment	-	0.02	0.42	0.15	0.58
Regulatory Approvals	-	0.01	0.18	0.16	0.35
Other support and corporate roles	-	0.03	0.26	0.17	0.46
Direct labour-related	0.01	0.02	0.11	0.06	0.20
Project Development	0.01	0.01	0.05	0.01	0.07
Transaction Procurement Support	-	0.01	0.04	-	0.05
Project Delivery Management	-	-	0.02	0.06	0.07
Land and Environment	-	-	0.00	0.00	0.00

³ Transgrid, Cost Allocation Methodology, 2023

Capex Category	2022-23	2023-24	2024-25	2025-26	Total
Other support and corporate roles	-	0.00	0.00	-	0.01
Indirect	1.68	2.80	12.53	3.29	20.30
Proportion of labour and labour-related allocated to indirect capex	0.63	1.15	3.34	1.47	6.60
Project Development	1.05	1.56	5.37	0.29	8.26
Transaction Procurement Support	-	-	1.65	0.63	2.29
Project Delivery Management	-	0.02	0.21	0.08	0.31
Community and Stakeholder Engagement	-	-	0.00	-	0.00
Land and Environment	-	-	0.32	0.17	0.48
Regulatory Approvals	-	0.03	0.13	0.50	0.67
Other Support and Corporate Roles	-	0.04	1.51	0.15	1.70
Total direct labour and indirect capex	3.14	5.49	20.33	6.73	35.69

Major activities included:

- Early project analysis and development steps:
 - establishing and undertaking project management, project controls and internal reporting
 - detailed system strength need and option development analysis
 - market and economic analysis to select a viable option with the highest net benefit
 - Consulting widely throughout via the RIT-T process, which was an important pre-cursor to this project's eventual initiation via the EII Act.
 - scoping and estimation of multiple options
 - initial concept design work.
- Procurement:
 - identification and procurement of Transgrid-supplied equipment
 - development and approval of procurement strategy and developing related plans
 - procurement of the OEM contract (including LTSA) and the two D&C contractors
 - Procurement Report processes.

The other activities contributing to pre-period costs included:

- consultation with the DCCEEW (as the IP) and negotiation of the Underwrite agreement
- environmental approvals for all sites, and land management and easement acquisition where required
- community engagement activities.

The System Strength Project Assessment Conclusions Report (PACR), published on 14 July 2025, identified system requirements of ten large syncons (or multiple smaller syncons) to provide the required system strength by FY30. Phase 1 syncons is required to meet system strength requirements in FY28, with the remaining syncons (Phase 2) required by ~FY30. Phase 1 is the subject of this Proposal.

The RIT-T analysis and consultation provided the foundation for the Project. The PNIP Direction references the PACR to establish it is within the scope of the Project and Revenue Proposal; consistent with the objects of the EII Act.⁴

We have therefore included in this Proposal the costs for:

- early project development and analysis
- procurement
- RIT-T consultation
- associated pre-period activities.

RIT-T costs within the opening asset base to be recovered over subsequent Regulatory Periods. As the pre-period costs are not directly attributable to a single asset class (because they relate to labour or overhead costs and other indirect costs), we have allocated this expenditure across asset classes in proportion to the total capex for the Project.

⁴ In Schedule 4, under EII objective “(a) to improve the affordability, reliability, security and sustainability of electricity supply”, the PNIP Direction refers to cost savings, improved system security and reliability identified in the Project Assessment Conclusions Report.

4. Approach for forecast labour, labour-related and indirect capex

This chapter outlines the approach used to forecast the incremental labour, labour-related and indirect capex for the Project, and the steps taken to ensure that costs are prudent, efficient, and reasonable.

4.1. Forecasting method – Bottom-up build and top-down review

The forecast for direct labour (including labour-related) and indirect capex for the Regulatory Period has been developed using a bottom-up-build approach, combined with a top down review. This approach has been adopted because:

- it allows for an accurate estimation of the required incremental capex for the Project informed by contractual arrangements, defined scopes of work, and internal cost data
- it is aligned with the forecasting approach applied in our previous CPAs for Project EnergyConnect (PEC), Humelink and VNI West and the Proposal for the WSB non-contestable and CWO Enabling non-contestable projects. However, we have sought to improve upon the process through additional layers of top-down review and challenge to confirm the efficiency of our proposed labour costs
- we have allowed only for project team labour for the durations of their assigned sites.

Initially a bottom-up forecast has been developed for the Project by the Project team. This bottom up forecast is developed with the Project leadership team and stream leads⁵ and takes into account:

- resourcing requirements for the Project based upon the contractual allocation of tasks between Transgrid, OEM supplier and D&C contractor
- likely duration of resource requirements based upon the Project schedule which is informed by the schedules provided by the OEM supplier and D&C contract
- consultation with groups across Transgrid requiring input to the Project to ensure an accurate forecast of these group's time.
- travel requirements across the Project to ensure we can meet out contractual site supervision requirements
- insource versus outsource split for roles and where it is more efficient to use Transgrid resources (e.g. long duration project management tasks) and where it is more efficient to use external resources or consultants (e.g. short duration tasks with specific skillsets such as syncon SMEs).

Post the applying a bottom-up forecasting approach we have also conducted top down reviews of our forecast direct labour and indirect capex for the Project. These top-down reviews have included:

- internal top down reviews of the Project forecast as part of our standard cost management and governance procedures. This includes multiple layers of review from the Project Team and our Executive as part of Project Advisory Board activities. These reviews have sought to both challenge and validate the forecast provided by the Project team.
- internal benchmarking of the Project against recently completed or in progress Projects being completed by Transgrid.
- peer reviews from other project directors within Transgrid to challenge resourcing assumptions.
- external reviews by GHD as part of our assurance process for our submission (this process is described further in section 4.5).

⁵ Streamleads are responsible for designated areas of the Project such as project development and community and stakeholder engagement

- external review and benchmarking by North Projects to confirm the appropriateness of our proposed project team resourcing and cost.

These top-down reviews have sought to identify synergies where possible to better utilise Transgrid's resources where possible across multiple projects.

All forecast capex has been developed in accordance with our Expenditure Capitalisation Standard, provided as attachment A.12 to this Proposal.

4.2. Labour capex

Our labour capex forecast has been developed using a bottom-up-build approach, reflecting both internal resources and outsourced contractors required to deliver the Project. Labour rates exclude real cost escalation, as this is applied separately in the Capex Forecast Model and discussed in detail in the Principal Application.

The forecasting approach accounts for the Project's complex and unique delivery environment, which presents a range of technical, commercial, and delivery challenges. These factors directly influence the scope, timing, and scale of labour resource requirements over the Regulatory Period.

The Project is essentially a program of projects, referred to as sites throughout the submission. As such the establishment of the team and development of the structure align with the delivery of a project of this nature. The Project involves complex and interlinked contractual arrangements. These include an upstream agreement between Transgrid and DCCEEW and three downstream contracts with the OEM supplier and two D&C contractors. These agreements are highly interdependent, requiring careful alignment of scope, schedule and technical requirements to minimise the delivery and compliance risks. This complexity demands precise coordination across all parties, particularly during design, construction, and commissioning.

Delivery of the Project involves complex brownfield works, all occurring within or adjacent to our operating assets. These phases require different resource profiles and risk management strategies. Careful balancing of timelines, staffing, and technical requirements are critical to minimising the risk of labour stranding and ensuring Project success. Having a suitable site presence on these high-risk brownfield sites is critical to ensure the Project is delivered safely, in accordance with the contract and required timeframes. Recent substation brownfield projects have demonstrated that allocating the appropriate level of internal resourcing ensures an efficient outcome over the long term⁶.

As NSW's primary Transmission Network Service Provider, we must also ensure safe and reliable integration of the syncons into the broader transmission network. This includes managing asset lifecycle risks, navigating increased complexity from network planning, construction and commissioning, then adapting operational procedures to support variable renewable generation.

In response to these delivery complexities, the labour forecast includes an average of 93.42 FTEs over the Regulatory Period. This labour force spans key delivery functions such as project development, project management, construction management, commercial contract management, commissioning, project controls, stakeholder engagement, land and environment, financial and other corporate support. We

⁶ WSB employed a strategy of full time Transgrid site management and electrical fitter support and results on this project demonstrate this ensures a safe, efficient outcome for brownfield projects.

believe this is a lean, but appropriate labour forecast to manage the Project effectively with no duplication of functions across the team. The forecast includes both internal and outsourced labour and has been developed without applying a risk cost allowance or labour escalation.

Without these proposed resources, there are numerous risks to the Project, some of which include:

1. risk to safety and environment with reduced site oversight from Transgrid.
2. commercial exposure if commercial functions not resourced sufficiently, leading to consumers potentially paying more.
3. delays to the Project with insufficient resourcing, through longer response times from the Project management and construction management teams and longer periods to report on progress – these delays present risks to the NSW electricity network.
4. risk to integration into existing network if we reduce the commissioning resources - leading to delays and risks to the NSW electricity network.
5. long complex handover to operations if not resourced properly, leaving Transgrid and consumers more exposed under the LTSA if a smooth transition to Operational phase isn't achieved.
6. cannot operate the syncons properly if spares are not stored and maintained properly.
7. failure to meet our mandatory reporting obligations under the Underwrite, and Aboriginal Procurement Policy

Table 5 Summary of roles, FTE and outsourced labour by sub-category

Capex subcategory	Average internal labour (FTE)	Internal labour (\$M, September 2026)	Outsourced labour (\$M, September 2026)	Forecast capex (\$M, September 2026)
Project Development	2.07	1.36	1.81	3.17
Transaction Procurement Support	0.40	0.58	-	0.58
Project Delivery Management	76.48	59.24	7.33	66.57
Community and Stakeholder engagement	0.04	0.03	0.00	0.03
Land and Environment	2.80	2.46	0.01	2.47
Regulatory Approvals	0.03	0.03	0.00	0.03
Other Support and Corporate Roles	11.60	11.71	0.04	11.75

Capex subcategory	Average internal labour (FTE)	Internal labour (\$M, September 2026)	Outsourced labour (\$M, September 2026)	Forecast capex (\$M, September 2026)
Total	93.42	75.40	9.19	84.60

The forecast labour capex is based on a detailed bottom-up-build of:

- month-by-month FTE requirements for each role type to meet the Project schedule
- hourly labour rates for each role type including on-costs and support costs as outlined in section 6.1.2 (labour on-costs) and 6.1.2 (labour support costs).

4.2.1. Organisational chart

We have established a dedicated Project Team, which is structured to ensure the complex nature of the Project can be managed efficiently, effectively and by the required completion date to ensure system strength can be maintained. The Project is functionally a program of five projects being delivered concurrently and the team is set up this way with project management streams allocated to specific sites and D&C contractors. Within the Project Management teams are Project Managers, Project Engineers and site resources with a single point of accountability at the Senior Project Manager level.

This structure provides the most efficient outcome for the Project by allocating multiple sites to the Project Management streams. We allocated a senior project manager for the Newcastle site due to its criticality and risk profile, and this stream will also be responsible for coordinating all transport related items across all sites (i.e. upgrades, escalation to Transport for NSW (TfNSW), permits etc.).

We established a project engineering team to coordinate the designs across the OEM supplier and D&C contractors and to manage the design interface risk. This is a significant undertaking with designs submitted from all contractors simultaneously requiring precise coordination to avoid delays. The commissioning team will be responsible for all commissioning activities including site commissioning, internal commissioning scope, R0, R1, R2 testing and modelling and project completions. We also established a commercial team to oversee the multiple contracts (upstream and downstream) to mitigate commercial risks to the Project. The Project Controls group is responsible for schedule, cost, quality and risk management for the Project including internal and external reporting.

Our approach to resourcing the Project is reasonable to manage the risks on the Project effectively and efficiently. We have only allowed for project management resources for the duration of each individual site and have not allowed for any individual site prolongation for Transgrid labour. We have avoided duplication of functions across Transgrid by providing clear accountabilities and responsibilities to each project area. As part of preparing our submission we have benchmarked our proposed labour costs for the Project against labour costs for other projects we are delivering under the EII Act⁷. This internal benchmarking found that when normalised to consider construction duration and value of contract under management that the proposed resourcing is reasonable and appropriate to manage the Project risks effectively and efficiently. This internal benchmarking is supported by external benchmarking by North Projects which

⁷ This analysis found when normalised for construction duration and works under management the resourcing for the Project were lower than WSB (Non-contestable) and CWO Enabling Project. These projects were selected for comparison given they are being delivered under the EII Act, with a greenfield brownfield mix, however do differ in terms of commercial complexity and interfaces.

compares the Project against non-Transgrid infrastructure projects and concludes that the labour costs for the Project are reasonable.

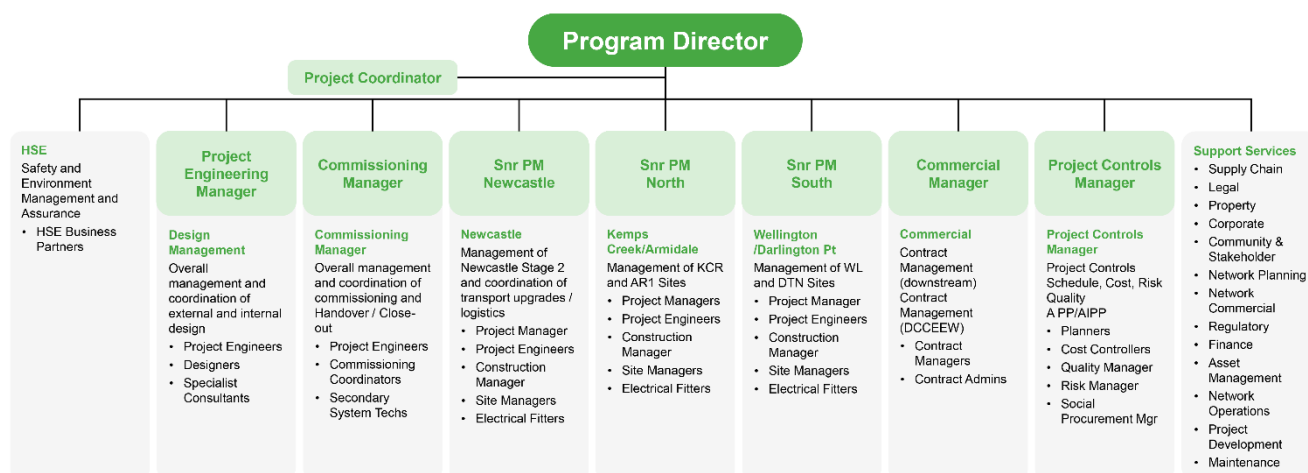


Figure 2 System Strength Project Team Structure

4.3. Labour-related capex

Labour-related capex includes costs associated with training, external recruitment, travel expenses (including accommodation, meal allowances and other expenses), and IT hardware costs. This capex component has been developed on a per FTE basis using the bottom-up-build approach and validated through top-down review as per Labour capex. Key assumptions include:

- training costs are based on a standard annual allowance per FTE under the Enterprise Agreement (Award), consistent with the approach applied for PEC, HumeLink, WSB and the CWO Enabling Project
- travel and expenses have been prepared in accordance with ATO taxation determination (TD) 2024/3.
- recruitment is calculated consistent with the approach adopted in previous CPAs and Revenue Proposals. Based on historical experience, we anticipate that most new roles will be recruited directly. Where external recruitment is required, an agency fee of 15 per cent of the first year's annualised salary has been assumed.
- IT expenses are based on the current supply rate from our existing IT vendors.

Further detail on the assumptions underpinning these forecasts is provided in section 6.2. More detailed cost breakdowns are provided in Chapter 5.

4.4. Indirect capex

4.4.1. Allocation of labour and labour-related costs to indirect capex

We have applied a consistent and well-established methodology to allocate capitalised labour and labour-related costs between direct and indirect cost components. This allocation reflects how resources are deployed across project activities, i.e. either in direct delivery functions or in supporting broader corporate functions.

In practice, some of our labour and labour-related costs are reported as direct costs for regulatory purposes. The QNI Minor Upgrade CPA did not split the forecast labour and labour-related costs between direct and overhead components and the AER had concerns with the level of forecast indirect costs for

QNI.⁸ To address this issue, our forecast labour and labour-related costs for the Project have been split between direct and indirect costs.

For the 2021–22 financial year, 74 per cent of our capitalised labour and labour-related costs were reported as direct costs within the category analysis regulatory information notice (RIN) response.⁹ Based on this data, we have assumed that 70 per cent of forecast Transgrid labour and labour-related costs for the Project are direct in nature. In other words, 30 per cent of labour and labour-related costs are assumed to be indirect capex.

This allocation is consistent with:

- our enterprise-wide CAM
- historical cost reporting under the RIN framework
- recent regulatory submissions, including the CWO Enabling Project, WSB (non-contestable) Revenue Proposal, and the PEC and HumeLink Stage 2 CPAs.

This approach ensures that the Project’s cost structure reflects the efficient use of internal resources and aligns with regulatory precedents.

Table 6 below consolidates labour and labour-related forecasts presented in Chapter 5 and applies the 70:30 direct to indirect cost allocation over the Regulatory Period. This results in a forecast of \$52.45 million in indirect capex (of which \$36.26 million is forecast over the Regulatory Period).

Table 6 Summary of proportion of labour and labour-related cost categorised as forecast indirect capex (\$M, September 2026)

Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Total labour and labour-related costs	53.98	55.34	51.69	13.82	-	-	174.84
Proportion treated as direct capex	37.79	38.74	36.19	9.68	-	-	122.39
Proportion treated as indirect capex	16.19	16.60	15.51	4.15	-	-	52.45

Note: Chapter 5 provides the full breakdown of labour and labour-related costs by category.

4.4.2. Non-labour costs

Non-labour costs cover a wide range of financial, professional and consulting services. The forecasting approach is based on a bottom-up-build, which involves separately itemising and phasing these costs over the Project lifecycle, based on the Project schedule. Where available, existing supplier agreements, contracts, or market quotes were used as the basis for cost estimates. For services not yet procured, costs were estimated on the basis of:

- costs incurred for the same or similar activities as part of early development activities

⁸ See: AER, [Final Decision – TransGrid Contingent Project, QNI Minor Upgrade](#), April 2020, pp. 17–21.

⁹ That is, \$93.8 million of the reported \$520.6 million in capex for prescribed services was labour and labour-related costs. Of those labour and labour-related costs, \$24.4 million fell in the network overheads and corporate overheads categories (derived by applying the capitalised share of the respective overheads categories to the direct labour overheads). \$69.4 million fell within the direct capex categories (e.g. replacements, connections, augmentation, non-network), or 74.0 per cent.

- benchmarks from recent experience from comparable projects
- current market conditions
- reasonable cost assumptions developed in consultation with our internal procurement and finance teams.

We have sought to balance our use of internal labour with professional and consultancy services to minimise the overall cost. Where possible we have used our internal labour for long duration tasks which align with our skillsets. We have only sought to utilise professional and consultancy services where the skillset does not exist within Transgrid (such as some syncons' SMEs) or when the duration of the task makes it inefficient to use dedicated Transgrid resources.

4.5. Independent external validation

We engaged GHD and North Projects to undertake an independent verification and assessment of our capex forecast for the Project.

4.5.1. GHD Independent Validation

GHD's assessment included:

- whether the scope and staging of the Project is appropriate to meet the requirements of the PNIP and Underwrite
- whether the pre-period and capital costs incurred are prudent, efficient and reasonable
- the accuracy and supportability of the capex forecast at this stage of the Project using a range of assurance techniques. These include validation against tender results, benchmarking against comparative projects, selection testing, recalculation, and alignment with industry practice
- the suitability of Transgrid's risk approach and allocation
- whether capex costs for development and construction for the network infrastructure project are prudent, efficient, and reasonable.

Overall, GHD concluded that our pre-period costs, forecast costs, and approach to risk are prudent, efficient and reasonable. GHD's independent review therefore supports the consistency of our forecast capex with that which would be incurred by a prudent, efficient and reasonable business.

GHD's report is provided as attachment S.6 to this Proposal.

4.5.2. North Projects Independent Validation

North Projects assessment included:

- review of Transgrid Organisation Chart
- review of Transgrid Program
- review of Transgrid Internal costs
- recommendation of the appropriateness of the cost given the scope of the Project and delivery model.

Initially, North Projects benchmarked the ratio of total proposed Transgrid resourcing cost against the total construction cost, comparing against recently completed projects in the transmission sector and other sectors across NSW. Details are shown in the box below.

Resourcing costs ratio analysis

North Projects applied a commonly used benchmarking ratio to compare this project against others.

[Client owners team costs + consultant costs] / [Construction cost]

The ratio for this project (20%) was 1% above the median of five other transmission and rail reference projects. This was considered reasonable given the geographically dispersed nature of the sites and multiple complex contractual interfaces.

North Projects also completed more detailed benchmarking at a cost category level against projects in the transmission sector. This was limited by the availability of suitable reference projects, but the resourcing costs ratio was considered for design, project management, site management and commissioning.

The design cost ratio of 1.9% was higher than the median of three other projects (1.2%). This was considered reasonable given the technical complexity of this project and considering the serious cost or service consequences of design inadequacies or errors in this case.

The Project management cost ratio of 9% was less than the median ratio for two reference projects (9.6%). Again, this was considered reasonable given the characteristics of this project and the comparators. More information is available in attachment S.1 North Projects - Accelerated Synchronous Condensers Project Owner's Cost Assessment Report.

5. Breakdown of forecast labour, labour-related and indirect capex

This chapter explains and justifies the forecast labour, labour-related and indirect capex for the Project. These forecasts have been developed using a bottom-up-build approach, which has been validated by top down-review and externally validated. as explained in Chapter 4. Further, these forecasts represent the resources and associated costs required to support the safe, efficient and timely delivery of the Project. Note this chapter includes forecast costs during the pre-period from 1 February 2026 to 30 September 2026 and during the Regulatory Period from 1 October 2026.

5.1. Project development

5.1.1. Objectives and scope

The table below summarises the objectives and scope for this category.

Table 7 Project Development

Objectives	Scope
<ul style="list-style-type: none"> Develop the Project to enable delivery by the OEM supplier and D&C contractors. Define interfaces between OEM supplier and D&C contractors that will need to be managed through delivery. To ensure design of the Project is efficient and lowest cost to the consumer. 	<ul style="list-style-type: none"> Early design work including detailed scoping and some concept designs. Early works activities such as Geotechnical site investigations, to better define the risk allocation between the parties. Review of contractors' designs, to ensure they are fit for purpose and meet the requirements of Transgrid to ensure system strength can be maintained reliably and efficiently.

5.1.2. Summary of key activities

Project Development costs reflect scoping and initial engineering and design activities, including approvals, required to support the successful delivery of the Project during early development up to contract award.

Key activities for this category are:

- detailed scoping of the Project for all five substations
- early works activities such as Geotechnical Site Investigations, Mine subsidence assessments for Newcastle, survey, coordination of procurement of Transgrid supplied equipment
- concept design associated with Protection, Automation and Communications to integrate the syncons with the network such as Reactive Plant and Secondary Systems and Automation Design
- review of concept designs prepared by the OEM and D&C contractors
- development and review of concept automation, protection and control systems design and specifications required at each substation
- completion of Environmental approvals
- technical review of OEM and D&C tenders
- development of basis of designs for technical specifications (OEM and D&C)
- provision of development support during the construction stage.

5.1.3. Resource requirements

Table 8 outlines the breakdown of total Project Development costs of \$9.76 million over the forecast period (of which \$4.89 million is forecast for the Regulatory Period). We anticipate an average resourcing requirement of 2.07 FTEs over the Regulatory Period. We consider this forecast to be prudent, efficient and reasonable, and aligned with the nature and complexity of the Project’s remaining development activities.

In addition to our internal resourcing, we will need to engage a design consultant to complete the concept design for the Control Systems. These designs will be provided to the D&C Contractors to inform their detailed designs.

Having an appropriate level of Project Development resources ensures delays to the procurement process and early design and subsequent flow on affects to the construction program are avoided.

Table 8 Summary of labour, labour-related and non-labour forecast costs for Project Development (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	2.52	1.10	0.19	0.07	-	-	3.88
Direct labour-related	0.19	1.34	0.47	0.00	-	-	2.00
Indirect – Proportion of direct labour and labour-related	1.16	1.04	0.29	0.03	-	-	2.52
Indirect – Non-labour	1.01	0.36	-	-	-	-	1.38
Total Forecast Capex	4.87	3.84	0.95	0.10	-	-	9.76

5.2. Transaction Procurement Support

5.2.1. Objectives and Scope

The table below summarises the objectives and scope for this category.

Table 9 Transaction Procurement Support

Objectives	Scope
<ul style="list-style-type: none"> Procure major contracts, equipment and ongoing minor consultancy engagements. Interface with IP to ensure procurement requirements are met. Ensure risk profile procured is aligned to intended risk profile for the Project. 	<ul style="list-style-type: none"> Procurement of OEM supplier. Procurement of LTSA contractor. Procurement of D&C contractors. Procurement of primary and secondary system equipment which will be free issued to the D&C contractors. Procurement of minor consultancy agreements.

5.2.2. Summary of key activities

The transaction procurement support program includes:

- OEM procurement costs associated with procuring GE Vernova as the OEM supplier

- D&C procurement costs associated with procuring D&C Contractors for the delivery of the D&C scope of works
- equipment procurement costs associated with procuring the Transgrid supplied primary and secondary systems equipment from our existing panel agreements
- minor ongoing procurement costs to support the ongoing procurement activities, engagement of consultants and other support for the duration of the Project.

5.2.3. Resource requirements

The Table below outlines the breakdown of total Transaction Procurement Support costs of \$1.43 million over the forecast period (of which \$0.84 million is forecast for the Regulatory Period). These costs primarily reflect internal labour costs based on an average of 0.42 FTE (over the forecast period to June 2026). The indirect costs relate to consultancy services for the procurement of the OEM and D&C contractors. This includes the costs associated with our probity advisor and transaction management support.

The nature of the process (i.e. hybrid contestable process) and the related strategies and plans to be developed (particularly the Procurement Reports) necessitated more dedicated resources than a typical tender and evaluation process that Transgrid would run. These resources were dedicated to the Project during the procurement phase until the OEM supply agreement and the D&C contracts were executed.

By ensuring an appropriate level of transaction procurement support resources are assigned, risks to compliance and probity issues can be avoided and supports the procurement process to ensure the best outcome possible for consumers.

Table 10 Summary of labour, labour-related and non-labour forecast costs for Transaction Procurement Support (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	0.37	0.30	0.29	-	-	-	0.95
Direct labour-related	-	-	-	-	-	-	-
Indirect – Proportion of direct labour and labour-related	0.16	0.13	0.12	-	-	-	0.41
Indirect – Non-labour	0.08	-	-	-	-	-	0.08
Total Forecast Capex	0.60	0.43	0.41	-	-	-	1.43

5.3. Project delivery management

Project Delivery Management encompasses the incremental capex required to manage and coordinate the Project's activities, ensuring the safe, timely, and cost-effective delivery of the agreed scope of works.

These activities are essential to ensuring we can meet the delivery times to ensure we can meet our system strength obligations under the NER.

We forecast a total of \$117.19 million in Project Delivery Management capex, of which \$96.34 million is forecast over the Regulatory Period. This forecast includes the following key components:

- \$23.77 million for project management
- \$27.73 million for construction management
- \$1.48 million for project engineering management

- \$22.88 million for commissioning
- \$7.16 million for commercial management, and
- \$13.32 million for project controls.

Further detail on each component is provided in the following sections.

5.3.1. Project management

5.3.1.1. Objectives and scope

The table below summarises the objectives and scope for this category.

Table 11 Project Management

Objectives	Scope
<ul style="list-style-type: none"> • To ensure the Project is delivered on time and to budget in accordance with the Project plans for the benefit of electricity consumers. • To ensure that the contractors understand and meet their contractual commitments prudently efficiently and reasonably. • To ensure that the Project achieves best practice outcomes in health, safety and environment. 	<ul style="list-style-type: none"> • The Project management role recognises that significant effort will be required to actively manage efficient and timely project delivery, including the resolution of issues that may impact the Project schedule. • The overall project management is the responsibility of the Project Director, supported by direct reports who will manage the following issues: engineering design, risk management, project controls/scheduling, cost estimating, interface management, quality control, document control and administration support. • Liaise with contractors to ensure that their systems and processes meet health, safety and environment best practice.

5.3.1.2. Summary of key activities

The key activities for this category are:

- overall oversight, coordination and accountability for the Project (the Project Director)
- oversight and coordination of project teams for each site (Project Managers) and oversight and coordination of project teams across multiple sites (Senior Project Managers)
- coordinating all transport related items across all sites, including coordination with government agencies (Newcastle Senior Project Manager)
- oversight and coordination of contractor work at each site, including managing interfaces between contractors
- liaising with supporting functions in the wider project delivery team
- evaluating claims and supporting commercial team
- oversight and coordination of project completions and handover to Asset Management.

5.3.1.3. Resource requirements

Table 12 outlines the breakdown of total Project Management costs of \$30.40 million over the forecast period (of which \$23.77 million is forecast for the Regulatory Period). The forecast labour comprises: 26 per

cent of the total forecast Project Delivery Management capex. This is equivalent to an average of around 20.62 FTEs over the Regulatory Period.

The Project presents a unique set of challenges. These include works in complex brownfield sites, with operational and geographical activities spread across multiple geographically dispersed sites, complex transport requirements and significant integration requirements with existing network infrastructure. We must manage the Project in such a way that ensures these challenges are addressed and the Project can be delivered on time.

This forecast cost is prudent, efficient and reasonable as it reflects the minimum level of internal labour and support necessary to manage the unique challenges of the Project, while ensuring compliance with regulatory and contractual obligations. We have benchmarked the level of Project Delivery Management resourcing against other projects Transgrid has recently delivered and consider the proposed level of resourcing is appropriate particularly given its scale and complexity.

Table 12 Summary of labour, labour-related and non-labour forecast costs for Project Delivery Management (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	4.09	6.25	6.27	2.44	-	-	19.06
Direct labour-related	0.35	0.34	0.34	0.14	-	-	1.17
Indirect – Proportion of direct labour and labour-related	1.91	2.82	2.83	1.11	-	-	8.67
Indirect – Non-labour	0.27	0.52	0.51	0.21	-	-	1.50
Total Forecast Capex	6.62	9.94	9.94	3.89	-	-	30.40

Key drivers for the level of resources required for the Project Management scope are:

- the geographically dispersed nature of the worksites across NSW – the Project is effectively a program of projects
- requirement to manage transport of the equipment to site which requires close supervision and coordination with contractors and government agencies to ensure the equipment deliveries are completed in a timely and safe manner.
- multiple contractors delivering the work
- multiple downstream contracts to manage with complex interfaces between OEM supplier and D&C contractors
- unfamiliar technology (syncons) on Australia’s core Transmission Networks, requiring support and guidance to the OEM
- coordination with government agencies on the transport of equipment
- upstream reporting requirements with DCCEEW
- management and oversight of brownfield work, with majority of work occurring in vicinity of operating Transgrid assets
- contractor labour constraints resulting in the overall level of construction experience decreasing, necessitating greater supervision by our experienced internal resources to deliver this critical work safely and reliably.

An appropriate level of project delivery resources is required to manage the Project to avoid delays and additional costs on the Project. Proactive and timely management of risks and issues is required, and an

under-resources project delivery team increases the risk of additional costs and delays to the Project. Timely reporting on time, cost and quality to all stakeholders will be important on this project given the criticality for electricity consumers.

In addition to our labour costs we have allowed additional cost for a co-located office based in Sydney alongside costs associated with the vehicles we will use at site.

A co-located office based in Sydney is planned to house the Transgrid team alongside the OEM suppliers team and include allowance for D&C contractor space. The establishment of a co-located office space between Transgrid and the contractors is required to support effective delivery of the Project, closely manage interface risks, enhance collaboration, and enhance project outcomes overall.

No allowance has been made by the contractors for this co-located office space. The associated cost is based on current co-located office rental of current projects and market research for office space to meet the Project needs for the duration of the Project. An estimate of a total of 60 desks in an A-Grade office facility to accommodate Transgrid staff, GE staff and D&C contractors' staff with appropriate segregation, shared meeting rooms, toilets, kitchen and parking facilities has been allowed for to ensure the benefits of a co-location office are maximised.

5.3.2. Project engineering management

5.3.2.1. Objectives and Scope

The table below summarises the objectives and scope for this category.

Table 13 Project Engineering Management

Objectives	Scope
<ul style="list-style-type: none"> • Manage the design, including design interfaces, to support timely and efficient delivery of the Project. • Ensure design alignment between OEM supplier and D&C contractors. • Rapidly address contractor design issues to minimise claims and costs to consumers. 	<ul style="list-style-type: none"> • Manage design and engineering for the Project post contract award. • Manage design interfaces between contractors. • Review contractors' designs, to ensure they are fit for purpose and meet the requirements of Transgrid to ensure system strength can be maintained reliably and efficiently. • Support commissioning.

5.3.2.2. Summary of key activities

The key activities for this category are:

- review of 45%, 85% and IFC designs for OEM and D&C contractors
- ensure all designs between OEM and D&C are coordinated effectively
- review the detailed design associated with Protection, Automation and Communications to integrate the syncons with the network such as Reactive Plant and Secondary Systems and Automation Design
- site support during commissioning
- coordinate and facilitate any requested deviations from approved designs and/or Transgrid standard designs
- respond to contractor design related RFIs
- review and management of grid connection activities during commissioning
- review of the 'red-pen' drawings and finalise the as-built and works as executed (WAE) drawings.

5.3.2.3. Resource requirements

Table 14 outlines the breakdown of total Project Engineering Management costs of \$2.35 million over the forecast period (of which \$1.48 million is forecast for the Regulatory Period). This forecast reflects a team of approximately 0.95 FTEs on average, which is considered prudent and efficient, representing the minimum resourcing necessary to manage delivery risk while ensuring safe commissioning of Transgrid substations.

We have resourced the engineering team with electrical, civil and mechanical specialists to cover all facets of the design. The Project Engineering team will primarily comprise internal resources, supported by specialist consultants as required (Synchronous Condenser expert and secondary systems consultant). Key roles include Project Engineers, Design Engineers and specialist consultants.

The Project Engineering team plays a critical role in the design of the Project. The design phase is on the critical path of the Project and delays due to inadequate resourcing will see additional costs incurred on the Project and either further pressure placed on the construction phase to make up the lost time, increasing the risk of safety related incidents or delay the Project.

Table 14 Summary of labour, labour-related and non-labour forecast costs for Project Engineering Management (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	0.61	0.54	0.35	0.14	-	-	1.64
Direct labour-related	0.00	0.00	0.00	0.00	-	-	0.00
Indirect – Proportion of direct labour and labour-related	0.26	0.23	0.15	0.06	-	-	0.71
Indirect – Non-labour	-	-	-	-	-	-	-
Total Forecast Capex	0.87	0.77	0.51	0.20	-	-	2.35

5.3.3. Construction management

5.3.3.1. Objectives and scope

The table below summarises the objectives and scope for this category.

Table 15 Construction management

Objectives	Scope
<ul style="list-style-type: none"> • Oversight and coordination of the OEM supplier's and D&C contractors' site-based construction activities to ensure the Project is delivered safely, efficiently and in accordance with agreed quality stands. • Ensure compliance with technical specifications, regulatory obligations and safety requirements throughout the construction phase. • Minimise impact of any site issues on overall project progress and cost. 	<ul style="list-style-type: none"> • Oversight, monitoring and coordination of the OEM supplier's and D&C contractors' site-based construction activities. • Oversight, monitoring and coordination of other site-works, including internally delivered works. • Coordinating network outages on behalf of contractors.

5.3.3.2. Summary of key activities

The key activities for this category are:

- facilitating and reviewing on-site investigations (e.g. geotechnical assessments) to support final design and construction planning
- conducting ongoing constructability reviews to identify and mitigate delivery risks
- finalising construction related management plans with the OEM and D&C contractors before starting construction (e.g. Construction Management Plan, Work Health and Safety Management Plan, Outage Plans and Waste Management Plan)
- coordinating contractor safety inductions, training and onsite construction preparations to ensure compliance with safety and site access requirements
- monitoring and measuring construction works to verify performance and inform commercial contract management, including variation and claim approvals
- providing safe access to equipment to allow contractors work to proceed in a safe and timely manner, including high voltage equipment, secondary systems equipment and earth grid
- requesting and coordinating network outages on behalf of the contractors in Transgrid's outage system
- supervision activities for safety, environmental compliance, adherence to designs and specified requirements, measuring progress, measuring changes to baseline assumptions, maintaining site records, providing inputs to commercial disputes, facilitating access, site audits and continuous reporting of overall project status
- assist with witnessing and hold points of contractor ITPs
- assisting the contractors to develop solutions to challenges that arise on site
- engagement with local community members, landowners, landholders, and electricity distribution businesses during construction to ensure positive engagement with local communities and reduce the risk of impact to the electricity supply in the areas affected by the Projects
- coordinating with other works on site unrelated to the Project (e.g. maintenance works or other capital projects) to ensure a safe outcome and avoid delays
- coordinating the internally delivered portion of the works (outages, commissioning resource requests, equipment etc.).

5.3.3.3. Resource requirements

Table 16 outlines the breakdown of Construction Management costs of \$32.87 million over the forecast period (of which \$27.73 million is forecast over the Regulatory Period). This forecast reflects a team of approximately 17.18 FTEs on average, which is considered prudent and efficient, representing the minimum resourcing necessary to manage delivery risk while ensuring safe and compliant construction execution across multiple sites.

The Construction Management team will primarily comprise internal Transgrid resources, supplemented where necessary by external subject matter experts or consultants to manage short-term peaks in workload. Key roles include site managers, electrical fitters, construction managers, and site safety supervisors. We have benchmarked the level of Construction Management resourcing against other large brownfield substation projects we have delivered and found that the level of resourcing is comparable.

Table 16 Summary of labour, labour-related and non-labour forecast costs for Construction Management (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	2.87	7.01	6.94	1.28	-	-	18.11
Direct labour-related	0.72	1.95	1.96	0.27	-	-	4.90
Indirect – Proportion of direct labour and labour-related	1.54	3.84	3.81	0.67	-	-	9.86
Indirect – Non-labour	-	-	-	-	-	-	-
Total Forecast Capex	5.14	12.80	12.71	2.22	-	-	32.87

The Project presents complex construction and delivery challenges due to its scale, location, and the nature of its scope. Key factors influencing the level of construction management effort include:

- majority brownfield construction activities, requiring close supervision to avoid unplanned outages and protect existing Transgrid assets
- remote and geographically dispersed worksites, necessitating frequent and lengthy travel to site by staff, which increases overall resourcing requirements
- continuous on-site Transgrid presence, required to provide timely, safe access to equipment to the contractors, promptly resolve issues and prevent delays or cost overruns in contractor delivery
- complex interface management, particularly between OEM supplier and D&C contractors
- the significant size of the Project and that the OEM supplier is unfamiliar with Transgrid's operating procedures and site requirements
- OEM supplier is Principal Contractor for all works (including those delivered by the D&C contractors) requiring additional Transgrid site supervision to ensure a safe outcome and to avoid delays to the Project
- high risk nature of the work under workplace health and safety (WHS) legislation
- the dilution of skilled resources, particularly site management, across the construction industry due to the number of large projects occurring at the same time, which necessitates Transgrid's full time presence on site to ensure a safe and efficient outcome for the Project.

To address these challenges, we have adopted a proactive and informed approach to Construction Management, drawing on positive lessons learned from recently completed and in-progress projects such as WSB. For example, our labour forecast reflects the need to quickly address issues on site, particularly

around interfaces with Transgrid’s operating assets and other works being completed simultaneously to prevent potential delay claims. This has resulted in a resourcing profile that ensures appropriate oversight is maintained without exceeding prudent expenditure levels.

Having an inadequate level of construction resourcing increases the risk of project delays and additional costs. The potential issues include failure to respond to contractor requirements in a timely manner leading to variation claims, missing witness and hold points, and being unable to provide guidance and assistance to the contractors. Furthermore, inadequate construction resourcing raises safety and environmental management risks, noting that our construction team are able to provide a high level of assurance around high risk activities to ensure they are undertaken safely.

5.3.4. Commissioning

5.3.4.1. Objectives and scope

The table below summarises the objectives and scope for this category.

Table 17 Commissioning

Objectives	Scope
<ul style="list-style-type: none"> • To ensure that the Project is commissioned on time in accordance with the agreed design specifications. • Ensure safety and security of existing Transgrid assets and network. 	<ul style="list-style-type: none"> • Support and/or witness contractor commissioning activities. • Reactive plant panel support and coordination, including pre-commissioning. • Telecommunications equipment installation, upgrade and commissioning. • Coordination with AEMO. • Manage site-level handovers and close-out documentation.

5.3.4.2. Summary of key activities

The key activities for this category are:

- preparation and planning of all outage activities related to reactive plant panel replacements and syncon hot commissioning
- pre-commissioning reactive plant panels at Transgrid commissioning lab. The panels are Transgrid design, D&C contractor construct, and pre-commissioning by Transgrid ensures that any Transgrid design issues will not result in delays/costs for D&C contractor during outage works
- on-site support for reactive plant panel replacements. Brownfield works require Transgrid technicians to support panel isolations and replacements and witness contractor testing
- remote end works for reactive plant panel replacements requiring changes to in-service equipment
- installation/upgrade/commissioning of new telecommunications equipment, which highly specialised equipment that is considered part of our in-service Operational Technology network once connected. Transgrid communications technicians are the best placed to perform this work and maintain essential security of the communications network. This also includes remote end telecommunications infrastructure to support new connections to SCADA from the syncons
- witnessing SCADA point testing. Control technicians witness data points from site through to SCADA. One synchronous condenser machine is equivalent in data points to a small substation. Control tech will also be required to witness data points from new reactive plant panels.

- witnessing protection commissioning for the syncons.
- preparation of isolation instructions. New complex plant requires producing new instructions to safely isolate and work on the equipment under Transgrid's Power System Safety Rules.
- managing energisation of all new equipment and supporting online R2 testing of syncons
- coordination with AEMO for R0 and R1 modelling and facilitate meetings between AEMO, Network Planning and the OEM.
- coordination with AEMO for R2 testing and any GPS compliance testing requirements.
- manage the site level handover and close out documentation on an ongoing basis.

5.3.4.3. Resource requirements

Table 18 outlines the breakdown of the Commissioning costs of \$24.95 million (of which \$22.88 million is forecast over the Regulatory Period). This forecast reflects a team of approximately 20.47 FTEs on average equating to average of 2 FTEs per year per site, which is considered prudent and efficient, representing the minimum resourcing necessary to manage delivery risk while ensuring safe commissioning of Transgrid substations. Noting this commissioning cost covers not only site commissioning resources but also office based resources working on the modelling (R0/R1) and R2 test plans in coordination with the OEM and AEMO.

Not having sufficient commissioning resources results in a high likelihood of delaying the contractors by not being able to witness testing or perform activities assigned to Transgrid during the commissioning process. AEMO (R1) testing must occur before the Syncons can come online and this process involves several internal resources to coordinate with AEMO, reducing this level of resourcing will delay this process.

Table 18 Summary of labour, labour-related and non-labour forecast costs for Commissioning (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	1.23	6.41	6.37	0.96	-	-	14.96
Direct labour-related	0.23	1.11	1.07	0.10	-	-	2.50
Indirect – Proportion of direct labour and labour-related	0.62	3.22	3.19	0.45	-	-	7.49
Indirect – Non-labour	-	-	-	-	-	-	-
Total Forecast Capex	2.07	10.74	10.63	1.51	-	-	24.95

5.3.5. Commercial management

5.3.5.1. Objectives and scope

The table below summarises the objectives and scope for this category.

Table 19 Commercial Management

Objectives	Scope
<ul style="list-style-type: none"> • Manage contract performance and commercial risks in upstream and downstream contracts to avoid disputes, delays and/or financial penalties. • Ensure lowest cost to consumers through effective commercial management of issues. 	<ul style="list-style-type: none"> • Manage correspondence, performance and reporting under upstream contract with DCCEEW. • Managing correspondence, performance and reporting under downstream contracts with OEM, D&C contractors and third party suppliers. • Coordination of change across contractual interfaces. • Claim management and evaluation.

5.3.5.2. Summary of key activities

The key activities for this category are:

- maintaining alignment across all agreements, particularly in relation to key milestones, technical requirements, and change management
- managing commercial communications and formal correspondence with DCCEEW, OEM supplier and the D&C contractors
- final evaluation of claims in accordance with the contract and engagement of third parties (e.g. quantity surveyors) as required
- leading the resolution of commercial claims, disputes, and variations
- negotiation with the contractors on commercial matters
- providing commercial input into project reporting, risk management, and stakeholder governance processes.

5.3.5.3. Resource requirements

Table 20 outlines the breakdown of the Commercial Management costs of \$9.30 million (of which \$7.16 million is forecast over the Regulatory Period). This forecast reflects a team of approximately 6.26 FTEs on average, and is considered prudent and efficient, given the scale, value and complexity of the Project's commercial framework.

The forecast for the Regulatory Period comprises:

- internal and outsourced labour costs, which account for approximately 99.6 per cent of total Commercial Management capex
- labour-related costs, such as recruitment, training, and IT hardware, making up the remaining 0.4 per cent
- allocation of 70 per cent of costs as direct capex (\$5.01 million) and 30 per cent as indirect capex (\$2.15 million), consistent with our standard CAM, as outlined in Section 4.4.1.

Table 20 Summary of labour, labour-related and non-labour forecast costs for Commercial Management (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	1.38	2.17	2.18	0.64	-	-	6.37
Direct labour-related	0.12	0.01	0.01	0.00	-	-	0.14
Indirect – Proportion of direct labour and labour-related	0.64	0.93	0.94	0.28	-	-	2.79
Indirect – Non-labour	-	-	-	-	-	-	-
Total Forecast Capex	2.14	3.11	3.12	0.92	-	-	9.30

The Project’s accelerated timeline and technical requirements have led to a complex contractual model involving an OEM responsible for supplying and installing syncons, alongside separate D&C contractors delivering civil works and balance-of-plant infrastructure.

To meet firm in-service dates, the OEM supply contract was procured early, while civil works and substation upgrades proceed in parallel. Delivery is governed by a suite of interlinked agreements, including an upstream agreement with DCCEE, major downstream contracts with the OEM and D&C contractors, and additional third-party supply contracts. These interdependencies create material commercial risk if scope, schedule, or performance obligations are misaligned.

To manage this complexity, a dedicated Commercial Management team has been established to oversee upstream and downstream interfaces, proactively manage risks, and ensure alignment across all contractual arrangements.

5.3.6. Project controls

5.3.6.1. Objectives and scope

Table 21 below summarises the objectives and scope for this category.

Table 21 Project controls

Objectives	Scope
<ul style="list-style-type: none"> Support the delivery of the Project by gathering, managing and analysing project data to keep the Project on track in terms of time, cost, quality, and risk. 	<ul style="list-style-type: none"> Provide project control function for the Project, including master schedule management, contractor program reviews, cost control, risk management, quality management, document control, reporting, and coordination and administration functions.

5.3.6.2. Summary of key activities

The key activities for this category, by discipline/role, are:

- **Project planning** – maintaining a master schedule and ensuring alignment with contractor programs. Tasks include reviewing, monitoring, and assessing the D&C contractors' programs and the programs provided by EnergyCo for ACEREZ.
- **Cost control** – monitoring, managing and optimising of all financial aspects of the Project. Tasks include budgeting, cost estimation and monitoring, variance analysis, forecasting and reporting.
- **Risk management** – consisting of a Risk Manager, Assurance Managers and Governance & Assurance Analysts who will identify, assess and manage risks.
- **Quality management** – ensuring Project deliverables meet quality standards and expectations.
- **Document control** – maintaining accurate records, ensuring proper document version control, responding to requests for information, drawing up transmittals, completing contract correspondence and supporting compliance with corporate procedures.
- **Reporting** – consisting of Business Partners and a Reporting Analyst who will provide transparency, accountability and insight into the Project's progress and performance.
- **Project coordination and administration** – including Project Controllers, Coordinators and Administrators coordinating team and project logistics, organising team meetings, preparing minutes, raising orders with suppliers, performing invoice reconciliations, tracking tasks and performing follow-ups, drafting documents and supporting document control.

5.3.6.3. Resource requirements

Table 22 outlines the breakdown of total Project Controls costs of \$17.31 million (of which \$13.32 million is forecast over the Regulatory Period) This forecast is considered prudent and efficient, reflecting the minimum level of resourcing required to ensure effective performance monitoring and control over the Project.

The forecast for the Regulatory Period comprises:

- internal and outsourced labour costs, which account for approximately 99.6 per cent of total Project Controls capex
- labour-related costs, such as recruitment, training, and IT hardware, making up the remaining 0.4 per cent
- allocation of 70 per cent of costs as direct capex (\$9.32 million) and 30 per cent as indirect capex (\$4.00 million), consistent with our standard CAM, as outlined in Section 4.4.1.

Where possible, we will leverage our Shared Services Model¹⁰ to utilise existing internal subject matter experts and systems for cost-efficient delivery of these support functions. This approach helps minimise duplication, ensures alignment with corporate processes, and provides flexibility to scale resourcing in response to workload changes over the course of the Project. For example, we have utilised a shared senior risk manager for the Project who will provide advice to the Project controls team whilst ensuring approaches and processes are consistent across the Projects that Transgrid is delivering.

¹⁰ Under the Transgrid Shared Service Model, for more specialised disciplines, resources work across multiple projects, resulting in increased efficiency and consistency amongst projects.

Accurate and timely reporting on progress, costs, quality and risks is required for this project to provide stakeholders with the relevant information as early as possible. Identifying schedule risks and issues early is key into mitigating potential delays to the Project. With the large number of individual schedules and cost forecasts coming in monthly across all the contracts, an appropriate level of Project Control resources is required to help mitigate delays and additional costs due to interface issues between the contractors.

Table 22 Summary of labour, labour-related and non-labour forecast costs for Project Controls (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	2.72	4.00	3.99	1.30	-	-	12.00
Direct labour-related	0.08	0.02	0.02	0.01	-	-	0.11
Indirect – Proportion of direct labour and labour-related	1.20	1.72	1.72	0.56	-	-	5.19
Indirect – Non-labour	-	-	-	-	-	-	-
Total Forecast Capex	3.99	5.73	5.72	1.86	-	-	17.31

5.4. Community and Stakeholder Engagement

5.4.1. Objectives and scope

Table 23 below summarises the objectives and scope for this category.

Table 23 Community and stakeholder engagement

Objectives	Scope
<ul style="list-style-type: none"> Ensure community and stakeholder support for the Project through assurance of contractor community and stakeholder workstreams 	<ul style="list-style-type: none"> Oversight of community and stakeholder engagement undertaken by OEM and D&C contractors Managing sensitive receivers (e.g. people, animals, and ecosystems) and noise complaints.

5.4.2. Summary of key activities

The key activities for this category are:

- oversight of community and stakeholder engagement undertaken by OEM and D&C contractors
- managing sensitive receivers (e.g. people, animals, and ecosystems) and noise complaints.

5.4.3. Resource requirements

Table 24 outlines the breakdown of total Community and Stakeholder Engagement costs of \$0.15 million (of which \$0.04 million is forecast over the Regulatory Period). These costs primarily reflect internal labour costs based on an average of 0.04 FTEs (over the forecast period to April 2029). The forecast relates to Transgrid resources required manage and coordinate community and stakeholder engagement activities.

Our OEM supplier and D&C contractors have primary responsibility for community and stakeholder engagement during the construction period. However, given the interface between the OEM supplier and

D&C contractor at each site, alongside the works being conducted at operational Transgrid substations, there is an ongoing need for Transgrid to have a modest level of resourcing to provide oversight and management of these activities.

There are also sensitive receivers close to several of the sites and the Project presents a challenge with additional noise being generated during construction and long-term operation. Transgrid is responsible for managing these receivers and any complaints that arise from the construction and operation activities.

Oversize Overmass movements across the state will impact 8 local councils, based on the current delivery routes. To ensure efficient delivery through these areas, we will need to play an active role in consultation with these councils and assist our contractors in this area. We have allowed an adequate amount of resources to do this. We have not allowed for community and stakeholder resources for major or minor transport upgrades as these cannot yet be thoroughly quantified. Additional resources will be required addressed through the proposed adjustment mechanism if this work is required.

Table 24 Summary of labour, labour-related and non-labour forecast costs for Community and Stakeholder Engagement (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	0.08	0.03	-	-	-	-	0.10
Direct labour-related	0.00	0.00	-	-	-	-	0.00
Indirect – Proportion of direct labour and labour-related	0.03	0.01	-	-	-	-	0.04
Indirect – Non-labour	-	-	-	-	-	-	-
Total Forecast Capex	0.11	0.04	-	-	-	-	0.15

5.5. Land and Environment

5.5.1. Objectives and scope

The table below summarises the objectives and scope for this non-contestable category.

Table 25 Land and Environment

Objectives	Scope
<ul style="list-style-type: none"> Support delivery of the Project with respect to acquisition of required land, developing environmental approvals and providing environmental support, which includes the activities described in the 'Scope' column. 	<ul style="list-style-type: none"> Coordinate land acquisition. Drafting Summary Environmental Reports. Managing contractor compliance with environmental approvals.

5.5.2. Summary of key activities

The key activities for this category are:

- coordinating the acquisition of an easement at Armidale from Crown lands
- drafting of Summary Environmental Reports (SERs) for each of the five sites which outline the environmental impact of the proposed works and how this will be controlled and mitigated

- ongoing support will be required to ensure that the OEM supplier and D&C contractors' management plans and works abide by these requirements
- assessment and approval (by Transgrid Land and Environment Team) of contractor requests for out of hours work.

5.5.3. Resource requirements

Table 26 outlines the breakdown of total Land and Environment costs of \$4.46 million (of which \$3.53 million is forecast over the Regulatory Period). These costs primarily reflect internal labour costs based on an average of 2.80 FTEs (over the forecast period to April 2029).

Where an amendment to the environmental approvals is requested or required, this will likely be required to be expedited. Inadequate resourcing in this area will risk delays to this process and lead to additional costs that would otherwise be avoided. This cost would represent the incremental cost of common labour resources between Transgrid projects as staff are reassigned between them.

Table 26 Summary of labour, labour-related and non-labour forecast costs for Land and Environment (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	0.63	1.17	1.17	0.11	-	-	3.09
Direct labour-related	0.02	0.00	0.00	0.00	-	-	0.03
Indirect – Proportion of direct labour and labour-related	0.28	0.50	0.51	0.05	-	-	1.34
Indirect – Non-labour	-	-	-	-	-	-	-
Total Forecast Capex	0.94	1.68	1.68	0.16	-	-	4.46

5.6. Regulatory approvals

5.6.1. Objectives and scope

The table below summarises the objectives and scope for this category

Table 27 Regulatory approvals

Objectives	Scope
<ul style="list-style-type: none"> • Support Transgrid in achieving a successful and timely determination. 	<ul style="list-style-type: none"> • Support development of regulatory proposal. • Ongoing support during the determination process. • Support with ongoing requirements of the System Strength Underwriting Agreement.

5.6.2. Summary of key activities

The key activities for this category are:

- supporting development of the regulatory proposal
- ongoing support during the determination process

- regulatory modelling including development of the hybrid PTRM
- independent assurance
- supporting negotiations and activities in relation to agreeing the System Strength Underwriting Agreement with the NSW Government.

5.6.3. Resource requirements

Table 28 outlines the breakdown of the total Regulatory Approvals costs of \$1.11 million (of which \$0.04 million is forecast over the Regulatory Period). These costs primarily reflect internal labour costs based on an average of 0.03 FTE (over the forecast period to April 2029).

These costs are primarily consultancy costs associated with: regulatory modelling including development of the hybrid PTRM; independent assurance; and supporting our ongoing activities with the NSW Government on the System Strength Underwriting Agreement (a recommended contractual arrangement included in the PNIP). The forecast is based on our consultancy engagements with suppliers.

Table 28 Summary of labour, labour-related and non-labour forecast costs for Support and Corporate (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	0.47	0.03	-	-	-	-	0.50
Direct labour-related	0.00	0.00	-	-	-	-	0.00
Indirect – Proportion of direct labour and labour-related	0.20	0.01	-	-	-	-	0.21
Indirect – Non-labour	0.40	-	-	-	-	-	0.40
Total Forecast Capex	1.07	0.04	-	-	-	-	1.11

5.7. Other support and corporate roles

5.7.1. Objectives and scope

The table below summarises the objectives and scope for this category.

Table 29 Other Support and Corporate Roles

Objectives	Scope
<ul style="list-style-type: none"> • Provide a reasonable level of governance and oversight to the Project. • Provide portfolio level governance and oversight at a reasonable level (GM and executive level). • Provide services direct to the Project required throughout the lifecycle of the Project to ensure efficient delivery and risk management. • Improve on process and systems to support a project of this scale and complexity. • Provide the necessary corporate and legal support to ensure the successful delivery and handover of the Project. • Portfolio management support to the Project to ensure successful delivery. • Deliver the Project efficiently without impacting other projects. • Progressive handover of assets. • Ensuring the right resources are available when needed. 	<ul style="list-style-type: none"> • Senior management support for escalation, issues management and Steering Committee participation. • Executive level oversight and assurance. • Uplift to project and contract management systems. • Asset Management support for completions and handover. • Apportionment of Transgrid costs related to commissioning lab and other shared functions. • Corporate financial support for Project Controls team. • Support gated project assurance process. • Management of legal issues. • Deliver Portfolio optimisation and coordination of resources and outages. • Ongoing utilisation of the Maximo and other asset management systems for progressive handover of assets. • Human resources function enabled to onboard/offboard resources and implement project workforce planning.

5.7.2. Summary of key activities

Key activities included under this category include:

- executive oversight ensuring effective program delivery, with senior management providing commercial, project controls, and delivery support to the Project Director, including escalation management and participation in mandatory steering committee meetings with the OEM supplier and D&C contractors (requirement under the contracts). These costs fall outside labour on-costs and are allocated directly to the Project
- project governance activities including monthly reporting to General Managers and executive-level reporting on progress, risks and issues, supported by inputs from the Project Operations and Commercial groups
- process and system improvement initiatives which are aimed to enhance project delivery capability, including upgrades to project management systems, transitions between source systems, strengthened governance and close-out processes, quality assurance improvements, and workforce capability development
- portfolio-level oversight to ensure risks are proactively managed across the broader project portfolio and that regulatory obligations are consistently met. The Project forms part of a wider program of works and therefore requires coordinated governance

- senior design management support which is required to address complex design issues that cannot be resolved at the Project level, noting that no separate allowance for this has been made elsewhere in the submission
- optimisation of resources and outage planning at a portfolio level which is essential given the Project's substantial site and commissioning resource requirements and the broader constraints on internal resources, external labour, and outage availability
- asset Management support, which is required for handover of the syncons to operations, including review and approval of any deviations from design standards
- human Resources support which is required throughout the Project to manage onboarding, ongoing workforce needs and risks associated with a predominantly newly hired team
- finance support to assist the Project Controls team with financial analysis and reporting
- internal governance and assurance teams to support project gate reviews in line with Transgrid's assurance processes and Project Management Framework
- portfolio HSE support which is required to manage safety and environmental incidents across five concurrent sites, ensuring lessons learned are shared and compliance is maintained at a corporate level
- internal legal support, which provides advice on issues arising under the OEM and D&C contracts, separate from any external legal services
- estimating and scoping services required to support variation assessments, including benchmarking, scope development, and preparation of reports to substantiate commercial evaluations
- commissioning lab costs relating to testing and commissioning secondary systems equipment, with multiple labs used to pre-commission panels prior to deployment
- overarching business costs which include fleet expenses and support from centrally operated functions such as Planning and Scheduling. These shared costs are allocated proportionally across delivery projects
- the Enterprise Asset Management system (Maximo), which supports asset handover activities throughout the Project, ensuring assets are correctly recorded as they enter service.

5.7.3. Resource requirements

The table below outlines the breakdown of the total Other Support and Corporate Roles costs of \$45.61 million (of which \$30.18 million is forecast over the Regulatory Period). These costs primarily reflect internal labour costs based on an average of 11.60 FTE (over the forecast period to April 2029).

Table 30 Summary of labour, labour-related and non-labour forecast costs for Other Support and Corporate Roles (\$M, September 2026)

Capex Category	Pre-period	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Direct labour (internal and outsourced)	3.71	4.95	4.55	2.20	-	-	15.42
Direct labour-related	0.01	0.02	0.02	0.01	-	-	0.05
Indirect – Proportion of direct labour and labour-related	1.59	2.13	1.96	0.95	-	-	6.63
Indirect – Non-labour	10.12	4.92	6.08	2.39	-	-	23.51
Total Forecast Capex	15.43	12.02	12.61	5.55	-	-	45.61

The split of FTEs by program management function can be seen in Table 31 below.

Table 31 Split of FTEs by Other Support and Corporate

Program Management Function	Average FTE
Portfolio Governance & assurance	4.4
Senior Commercial and contract management	2.2
Asset Management support	1.2
Portfolio oversight and governance	1.1
Financial governance, reporting and analysis	1.1
Quality management	1.1
Development & scoping	1.1
People and Culture support	1.1
Senior engineering and design support	0.9
Construction & Commissioning Management	0.9
Project control leadership	0.7
Delivery portfolio optimisation	0.7
Health, Safety & Environment	0.6
Total	17.3

The indirect forecast primarily relates to:

- Insurance premiums – This relates to insurance for the Project over the construction period, which is required under the OEM and D&C contracts. The forecast of [REDACTED] is based on an estimate provided by an independent insurance broker, Marsh (refer to S.3 Insurance Report for further detail). Insurances being procured for the Project include:
 - Contract Works – provides coverage to reinstate the works following loss or damage.
 - Construction Liability – provides coverage for Transgrid, OEM and the D&C contractors, subcontractors, etc. for their legal liability to third parties for property damage and/or bodily injury arising from their onsite activities.
- The engagement of external legal advisors to provide ongoing legal support during the Project delivery phase. Specifically, we anticipate requiring specialist contractual advice in relation to claims that may arise under the OEM and D&C agreements. This support will be critical to ensure that claims are assessed and addressed in a timely and effective manner, minimising potential project risks. The cost estimate is based on quotes obtained from our appointed external legal advisors and reflects the expected scope and duration of legal support required throughout the delivery period.
- Program Management Costs – proportionate share of the broader Class B portfolio's process and system improvement initiatives that directly support project delivery capability. These initiatives include enhancements to the Project management system, source-system transitions, governance and close-out processes, risk management uplift, quality-assurance uplift, and workforce-capability development. The allocation has been applied based on SynCon's relative scale and utilisation of these improvements, generally at 40% across core initiatives.
- Overarching Business Costs – overarching business costs include fleet operating expenses required for the ongoing operation of the vehicles across the Project team. These also include commissioning lab costs for the Project to utilise the various labs across the state. The scope of works for the D&C

contractor includes commissioning of all panels at one of the Transgrid commissioning labs. The Transgrid cost to utilise the laboratories is included in these overarching business costs.

A detailed breakdown of the Other Support and Corporate Roles forecast is provided in Table 30.

6. Key assumptions

This chapter explains and justifies the key assumptions underpinning our direct labour and indirect capex calculations.

6.1. Labour costs

The number of incremental FTEs required for the Project is based on current practices, the complexity and timeframes of the Project, and relevant legislative requirements. The commencement of FTEs is phased over the duration of the Project as per the Project schedule.

Labour cost estimates have been calculated by:

- using standard labour rates
- incurring labour on-costs for all staff and contractors
- seconding resources (fully or partially) from existing business as usual (BAU) roles to the Project, and backfilling BAU roles with internal labour or via a greater reliance on outsourced arrangements
- sourcing external contractor rates from contracts where appropriate
- excluding real labour cost escalation (as this will be subsequently applied in the Capex Forecast Model. This is explained in the Direct Capex Forecasting Methodology).

These are explained further below.

6.1.1. Standard labour rates

Labour rates and role classifications are aligned to our 2026 standard labour rates.¹¹ Labour escalation rates have not been applied to subsequent years.

Labour, including our internal staff, contractors and external labour hire, has been classified into a series of salary bands and the corresponding labour rate has been used to estimate costs.

Consistent with our approved CAM:¹²

- all project staff will complete timesheets and charge to a work order related to the Project
- actual times (logged to relevant work orders) will be used to determine labour costs
- the time spent by all Project Team members is considered an incremental cost on the basis that there are no spare resources in Transgrid, so time spent by existing staff members on the Project will lead to higher costs through backfill with internal labour or via greater reliance on outsourced arrangements.

¹¹ Labour and support cost rates effective January 2027.

¹² Transgrid, Cost Allocation Methodology, 30 May 2023.

6.1.2. Labour on-costs

The table below shows the labour on-cost rates which have been applied to the base labour costs in line with State regulations, employee bargaining agreements and our policies.

Table 32: Breakdown of labour on-costs

Type	Rate (%)	Breakdown
Employees under Award – Enterprise Agreement	36.8%	Annual Leave – 8.0%
		Long Service Leave – 5.8%
		Payroll Tax – 5.5%
		Superannuation – 16.5%
		Worker’s Compensation – 1.0%
Employees on individual employment contracts – Contract Officers	32.3%	Annual Leave – 8.0%
		Long Service Leave – 5.8%
		Payroll Tax – 5.5%
		Superannuation – 12.0%
		Worker’s Compensation – 1.0%

6.1.3. Shared costs allocation

In addition to direct labour costs and on-costs discussed above, the proposed project costs also include an allocation of shared costs. Shared costs are costs that cannot be exclusively linked to a specific service category but are incurred by us in the provision of all of our services. These costs are therefore allocated to services via the use of direct labour as an allocator. This mechanism is in-line with our approved CAM which prescribes the allocation of these shared costs.

6.1.4. Resource backfill and evidence

As described above, the following assumptions have been applied:

- time spent by all Project Team members is considered an incremental cost on the basis that there is no spare resource in other delivery projects
- time spent by existing staff members on the Project will lead to higher costs for Transgrid through backfill with internal labour or via greater reliance on outsourced arrangements.

6.1.5. External contractor rates

The rates applied for external contracted labour have been determined based on documentation provided by the external parties detailing fees, rates and charges and our existing panel agreements in real 2026–27 dollars.

6.1.6. Escalation factors

Real labour cost escalation factors have not been applied to the labour and labour-related costs. This is subsequently applied in the Capex Forecast Model.

6.2. Labour-related costs

6.2.1. Training

Training costs for staff are based on our standard allowance of \$1,938.71 per FTE per annum. This allowance is set for all internal roles that are Contract Officers or under an Enterprise Agreement (Award) and has been applied on a per role basis. Our adopted approach aligns with the training allowance calculation applied for PEC, HumeLink, WSB non-contestable and CWO Enabling Project.

The nature of training provided includes mandatory field training, soft skills and development training, professional development, and industry specific training for each role.

6.2.2. Travel and expenses

All costs in relation to travel and expenses (including accommodation, meal allowances and other expenses) have been determined in accordance with the ATO Taxation Determination TD 2024/3.¹³ The application of these standard rates and calculation methodologies are summarised in the table below:

Table 33: Travel and expenses methodology and assumptions

Labour Type	Calculation methodology, assumptions and application					
This applies to: <ul style="list-style-type: none"> Commissioning 	For Commissioning, travel costs have been modelled by site to reflect materially different travel times, roster patterns over the course of delivery, and accommodation requirements to the five different travel sites i.e. Armidale, Darlington Point, Kemp's Creek, Newcastle and Wellington. The values provided below are a weighted average of the first principles build-up: <ul style="list-style-type: none"> The cost per staff member per night for commissioning can be seen in the table below. 					
	Table 34: Commissioning Staff Cost per night					
		AR1	DNT	KCR	NEW	WL1
	Cost Per Staff Member Per Night (\$)	818.12	1,063.11	463.44	297.50	678.69
	Daily Allowance (\$)	262.10	262.10	262.10	37.50	262.10
	Travel Allowance (\$)	556.02	801.01	201.34	260.00	416.59
	Travel Time Assumption to Site (Hrs)	5.5	10	2.5	0	5.5
	Daily Commute (Hrs)	1	1	0.5	1	1
	<ul style="list-style-type: none"> cost per staff per night represents an averaged daily travel cost inclusive of sustenance and travel time allowance travel allowance reflects travel time associated with travel to site and daily commuting from accommodation, calculated using forecasted travel hours and applicable labour rates 					

¹³ ATO, TD 2024/3, available at [td2024-003.pdf](#)

Labour Type	Calculation methodology, assumptions and application																																														
	<ul style="list-style-type: none"> accommodation has been included in the daily allowance except for Newcastle which only assumes overtime meal allowance Transgrid sustenance rates have been applied for daily allowance, and do not exceed the ATO reasonable allowance amounts seen in Table . <p>Table 35: ATO Allowances based on Location</p> <table border="1"> <thead> <tr> <th></th> <th>AR1</th> <th>DNT</th> <th>KCR</th> <th>NEW</th> <th>WL1</th> </tr> </thead> <tbody> <tr> <td>ATO Allowances (\$)</td> <td>367.35</td> <td>362.35</td> <td>498.35</td> <td>396.35</td> <td>362.35</td> </tr> </tbody> </table> <p>> based on the ATO allowances of the five different travel sites to include the proposed accommodation, meals and incidentals allowance for all groups¹⁴</p> <ul style="list-style-type: none"> based on the assumption that one staff member travels per trip, and that each trip duration reflects a weighted average number of nights derived from forecasted roster arrangements and site requirements, the cost per trip per staff member has been calculated for each location as set out in the table below <p>Table 36: Commissioning Cost Per Trip</p> <table border="1"> <thead> <tr> <th>Commissioning</th> <th>AR1</th> <th>DNT</th> <th>KCR</th> <th>NEW</th> <th>WL1</th> </tr> </thead> <tbody> <tr> <td>Cost per trip (\$)</td> <td>7,904</td> <td>10,218</td> <td>4,488</td> <td>2,874</td> <td>6,579</td> </tr> <tr> <td>Number of nights per trip</td> <td>9.66</td> <td>9.61</td> <td>9.69</td> <td>0*</td> <td>9.69</td> </tr> </tbody> </table> <ul style="list-style-type: none"> we note that: <ul style="list-style-type: none"> travel costs have been calculated by multiplying the cost per trip for each staff member with the number of trips taken in each year of the modelling period no flight charges for Commissioning have been assumed as all travel is by car. no car hire costs have been assumed as company cars will be used for internal staff the weighted average number of nights per trip is based on the forecasted roster arrangements which are predominantly 10:4 rotations for Commissioning staff, with adjustments made for partial rotations and staggered forecasted mobilisation across the modelling period <i>*for the Newcastle project location, trips are treated as day-based with no overnight accommodation as staff are already based in Newcastle. Costs primarily reflect daily allowances for overtime and limited daily travel time</i> number of trips taken in each year of the modelling period can be seen in the table below <p>Table 37: Number of Trips Taken for Commissioning per Year and per Site</p> <table border="1"> <thead> <tr> <th>Commissioning</th> <th>2025–26</th> <th>2026–27</th> <th>2027–28</th> <th>2028–29</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>AR1</td> <td>15</td> <td>51</td> <td>45</td> <td>3</td> <td>114</td> </tr> </tbody> </table>						AR1	DNT	KCR	NEW	WL1	ATO Allowances (\$)	367.35	362.35	498.35	396.35	362.35	Commissioning	AR1	DNT	KCR	NEW	WL1	Cost per trip (\$)	7,904	10,218	4,488	2,874	6,579	Number of nights per trip	9.66	9.61	9.69	0*	9.69	Commissioning	2025–26	2026–27	2027–28	2028–29	Total	AR1	15	51	45	3	114
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¹⁴ This is based on a salary grade of \$148,251 to \$263,850 for all FTEs (including Executive staff) and all expense amounts have been calculated using the High-cost Country Centre classification provided by the ATO.

Labour Type	Calculation methodology, assumptions and application																																									
	DNT	5	42	48	8	103																																				
	KCR	15	51	47	3	116																																				
	NEW	15	48	42	0	105																																				
	WL1	5	51	46	3	105																																				
	Total	55	243	228	17	543																																				
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Labour Type	Calculation methodology, assumptions and application																																										
<p>This applies to:</p> <ul style="list-style-type: none"> Project Development 	<p>For Project Development, travel costs differ from other labour categories where travel relates primarily to international travel to the UK or Korea for Factory Acceptance Testing (FAT), rather than routine site attendance.</p> <ul style="list-style-type: none"> the cost per trip per staff member can be seen in the table below <p>Table 43: Project Development Trip Cost</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e8f5e9;">Project Development</th> <th style="background-color: #e8f5e9;">Syncons FAT</th> <th style="background-color: #e8f5e9;">Transformer FAT</th> </tr> </thead> <tbody> <tr> <td>Cost Per Trip Per Staff Member</td> <td style="text-align: right;">29,860</td> <td style="text-align: right;">25,000.00</td> </tr> <tr> <td>Incidentals</td> <td style="text-align: right;">340</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Accommodation</td> <td style="text-align: right;">3,000</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>Flight (round trip)</td> <td style="text-align: right;">26,200</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Trip Duration</td> <td style="text-align: right;">6 nights</td> <td style="text-align: right;">6 nights</td> </tr> </tbody> </table> <ul style="list-style-type: none"> the cost per trip per staff member reflects the sum of the above allowances over the assumed trip duration of 6 nights ATO rate for meals and incidentals has been based on Cost Group 5 to the UK for employees Total Project Development travel costs have been calculated by multiplying the cost per trip per staff member by the number of forecast trips in each year of the modelling period. The tables below provide a breakdown of these trips by year number of trips taken in each year of the modelling period can be seen in the table below. <p>Table 44: Number of Trips taken for Project Development</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e8f5e9;">Project Development</th> <th style="background-color: #e8f5e9;">2025–26</th> <th style="background-color: #e8f5e9;">2026–27</th> <th style="background-color: #e8f5e9;">2027–28</th> <th style="background-color: #e8f5e9;">2028–29</th> <th style="background-color: #e8f5e9;">Total</th> </tr> </thead> <tbody> <tr> <td>SYNCON FAT</td> <td style="text-align: center;">8</td> <td style="text-align: center;">32</td> <td style="text-align: center;">12</td> <td style="text-align: center;">-</td> <td style="text-align: center;">52</td> </tr> <tr> <td>TRANS FAT</td> <td style="text-align: center;">-</td> <td style="text-align: center;">36</td> <td style="text-align: center;">12</td> <td style="text-align: center;">-</td> <td style="text-align: center;">48</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">8</td> <td style="text-align: center;">68</td> <td style="text-align: center;">24</td> <td style="text-align: center;">-</td> <td style="text-align: center;">100</td> </tr> </tbody> </table>	Project Development	Syncons FAT	Transformer FAT	Cost Per Trip Per Staff Member	29,860	25,000.00	Incidentals	340	2,000	Accommodation	3,000	3,000	Flight (round trip)	26,200	20,000	Trip Duration	6 nights	6 nights	Project Development	2025–26	2026–27	2027–28	2028–29	Total	SYNCON FAT	8	32	12	-	52	TRANS FAT	-	36	12	-	48	Total	8	68	24	-	100
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6.2.3. Recruitment (external)

To account for the recruitment of the additional resources required for the Project, an allocated external recruitment cost has been included in the forecast capex. This is consistent with the approach adopted in our previous CPAs for PEC and HumeLink and our previous EII projects, being WSB (non-contestable) and CWO Enabling Project.

Based on historical recruitment experience, it is anticipated that approximately 75 per cent of the new roles (including backfill) will be filled through direct recruitment efforts. The remaining 25 per cent of roles are expected to require support from external recruitment agencies. This approach reflects recent trends in sourcing and hiring and aligns with typical resource availability and market conditions.

We have also assumed that 50 per cent will be new FTE hires based on calculation of new FTE forecasts over total internal labour hire forecast for the whole Regulatory Period.

We expect to incur an agency fee of 15 per cent of the value of the first year’s annualised salary where a recruitment service provider is used. This is based on the existing agreements we have with recruitment service providers.

The total recruitment costs are applied on the following basis:

- Recruitment fees = sum of annualised base salary of incremental employees x 25% x 15% x 50%

6.2.4. IT expenses

Additional IT hardware and connectivity is required for the new FTEs. We have based these costs on our existing supplier rates.

The estimated total IT costs per new FTE are \$3,696.85, as shown in the table below. The estimates are based on the current supply rate from our vendors.

Table 45 IT expenses (\$, Real 2026–27)

Item	Cost
Lightweight laptop	2,395.35
27" monitor	249.39
Headset	102.75
Backpack	39.61
Standard iPhone	909.76
Total	3,696.85

The total IT expense forecast for the Project is \$0.05 million.

6.3. External advice – consulting fees and other services

Where possible, costs in relation to consulting fees and legal advice were calculated directly utilising the external parties’ documented fees, rates and charges. All rates are assumed to have been provided at current rates, i.e. September 2026 dollars, unless otherwise specified. No escalation for CPI inflation or real rate escalation has been applied.