

2026 Non-contestable Adjustment Proposal

Transgrid Waratah Super Battery

31 March 2026



Contents

1. Project context	3
1.1. Background	3
1.2. About this Revenue Adjustment Proposal	3
1.3. Structure of this Revenue Proposal	4
1.4. Conventions.....	4
2. Automatic Adjustments	5
3. Unavoidable Contract Variations Adjustment	7
4. Debt and Equity Raising Costs	8
5. Adjusted Maximum Allowed Revenue	8
6. Adjusted Payment Schedule	11
6.1. Payment schedule.....	11
7. Other matters	12
7.1. Confidential information.....	12
7.2. Certifications.....	12
7.3. Compliance checklist.....	12
7.4. Supporting documentation	12

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.



1. Project context

1.1. Background

The Waratah Super Battery Project (WSB Project) comprises:

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

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

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

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

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

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

1.2. About this Revenue Adjustment Proposal

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

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

This proposal contains:

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

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

1.3. Structure of this Revenue Proposal

This Revenue Proposal is structured as follows:

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

1.4. Conventions

In this Revenue Proposal, unless otherwise specified:

- historical expenditure is presented in end-year (to 30 June) real 2023-24 dollars
- negative figures are presented in brackets, and
- our revenue building-blocks from the post-tax revenue model (PTRM) are presented in end-year (to 30 June) nominal dollars.

Totals presented in tables may not add due to rounding.

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

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

2. Automatic Adjustments

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

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

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

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

Updated rate of return is the applicable rate of return calculated for year t, updated for the return on debt calculated for year t, in accordance with the 2022 RORI and using the averaging periods approved by the AER.

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

Table 2-1: Updates made to the WSB PTRM

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

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

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

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

3. Unavoidable Contract Variations Adjustment

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

An increase or decrease in the revenue Transgrid may recover to accommodate the additional costs Transgrid incurs from an unavoidable contract variation.

The unavoidable contract variation adjustment mechanism is the change in prudent, efficient, and reasonable design and construction costs to Transgrid from the following trigger events:

- (i) a change in the final design occurs and the cost implications are known, or*
- (ii) a change in the civil works costs is higher (or lower) than the forecast amount accepted by the AER in relation to the revenue determination,*

up to a maximum cumulative adjustment of \$30 million (real, 2023) over the regulatory period.

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

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

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

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

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

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

4. Debt and Equity Raising Costs

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

Table 4-1 sets out debt and equity raising costs for the 2024-29 regulatory period.

Table 4-1: sets out year-by-year debt and equity raising costs (\$'000, Real 2023-24)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Debt raising costs	52.4	119.2	123.8	119.8	115.8	531.1
Equity raising costs	639.8	-	-	-	-	639.8

5. Adjusted Maximum Allowed Revenue

This chapter sets out the incremental building block revenue forecast relating to the non-automatic adjustment included in our 2026 non-contestable adjustment proposal as well as our updated Maximum Allowable (MAR) revenue for the WSB non contestable project³. Chapter 5 explains how the updated MAR is reflected in the remaining years of the 2024-29 regulatory period.

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

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

Table 5-1 summarises the total revenue forecast of \$0.1 million (\$Nominal), broken down by building block component, and briefly explains how we have calculated each component. This revenue is calculated within the EII Act PTRM included as an attachment to this Revenue Proposal as a simple sum of the five building blocks shown in the tables.

Table 5-1: Incremental revenue forecast over the 2024-29 regulatory period

Building block	\$'000, Nominal	\$'000, Real 2023-24	Cross reference to other chapters
Return on capital	(75.9)	(62.8)	Calculated by multiplying the forecast opening capital base for a given year by the allowed rate of return adopted by the AER.

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

Building block	\$'000, Nominal	\$'000, Real 2023-24	Cross reference to other chapters
Return of capital	137.3	120.3	Calculated as forecast straight line depreciation for each asset class less indexation of the capital base.
Opex	-	-	-
Revenue adjustments	-	-	-
Corporate income tax	0.5	0.5	Calculated as forecast pre-tax income multiplied by the corporate tax rate, less the assumed value of imputation credits.
MAR	61.9	58.0	Sum of each building block above.

Table 5-2 shows the incremental year-by-year breakdown of the forecast over the 2024-29 regulatory period in (\$Nominal).

Table 5-2: Incremental revenue required over the 2024-29 regulatory period – Detailed breakdown (\$'000, Nominal)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	82.2	(35.6)	(36.6)	(41.1)	(44.7)	(75.9)
Return of capital	(34.9)	14.7	50.0	52.5	55.0	137.3
Opex	-	-	-	-	-	-
Revenue adjustments	-	-	-	-	-	-
Corporate income tax	0.5	-	-	-	-	0.5
MAR	47.8	(20.9)	13.4	11.4	10.3	61.9
NPV (as at 30 June 2024)						53.4

Table 5-3 shows the incremental year-by-year breakdown of the forecast over the 2024-29 regulatory period in \$Real 2023-24.

Table 5-3: Incremental MAR required over the 2024-29 regulatory period | Detailed breakdown (\$'000, Real 2023-24)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	79.9	(33.6)	(33.6)	(36.6)	(38.8)	(62.8)
Return of capital	(33.9)	13.9	45.9	46.8	47.7	120.3
Opex	-	-	-	-	-	-
Revenue adjustments	-	-	-	-	-	-
Corporate income tax	0.5	-	-	-	-	0.5
MAR	46.4	(19.8)	12.3	10.2	8.9	58.0
NPV (as at 30 June 2024)						53.4

Table 5-4 shows total forecast and year-by-year breakdown over the 2024-29 regulatory period in \$Nominal. The total forecast includes the net outcome of the two adjustments including the automatic annual cost of debt update as well as the non-automatic contract variations.

Table 5-4: Total revenue required over the 2024-29 regulatory period - Detailed breakdown (\$'000, Nominal)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	7,330.9	16,804.8	17,928.4	18,305.2	18,185.9	78,555.2
Return of capital (depreciation)	(3,113.8)	(2,287.8)	1,405.8	1,709.0	2,028.5	(258.4)
Opex	2,645.9	4,805.6	5,384.3	5,616.8	5,271.9	23,724.3
Revenue adjustments	3,615.6	-	-	-	-	3,615.6
Corporate income tax	41.7	-	-	-	-	41.7
MAR	10,520.2	19,322.5	24,718.5	25,630.9	25,486.3	105,678.4
NPV (as at 30 June 2024)						85,005.7

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

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

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Return on capital	7,124.3	15,871.0	16,455.1	16,327.5	15,764.0	71,542.0
Return of capital	(3,026.1)	(2,160.7)	1,290.3	1,524.3	1,758.4	(613.8)
Opex	2,571.3	4,538.5	4,941.8	5,009.9	4,569.8	21,631.4
Revenue adjustments	3,513.7	-	-	-	-	3,513.7
Corporate income tax	40.5	-	-	-	-	40.5
MAR	10,223.7	18,248.9	22,687.2	22,861.7	22,092.2	96,113.7
NPV (as at 30 June 2024)						85,005.7

6. Adjusted Payment Schedule

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

6.1. Payment schedule

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

We have calculated these payments based on our forecast MAR for the 2024-29 regulatory period, which is discussed in Chapter 5. In particular, we have converted our MAR into a series of quarterly payments within the PTRM, provided as an attachment to this Revenue Proposal, such that the NPV of the payments matches the NPV of MAR.

Table 6-1 shows the forecast quarterly payments for the 2024-29 regulatory period. The impact of all of the adjustments included in this proposal are captured in the updated quarterly payments for 2026-27, 2027-28 and 2028-29.

Table 6-1: Forecast quarterly payments for the 2024-29 regulatory period (\$'000, Nominal)

Year	Quarter 1 (September)	Quarter 2 (December)	Quarter 3 (March)	Quarter 4 (June)	Total
2024-25	2,498.5	2,547.2	2,596.8	2,647.4	10,290.0
2025-26	4,649.1	4,720.8	4,793.6	4,867.4	19,030.9
2026-27	5,935.4	6,046.5	6,159.6	6,274.8	24,416.3
2027-28	6,185.4	6,290.6	6,397.6	6,506.5	25,380.1
2028-29	6,150.7	6,255.3	6,361.8	6,470.0	25,237.8
Total	25,419.2	25,860.4	26,309.4	26,766.1	104,355.1
NPV (as at 30 June 2024)					85,005.7

7. Other matters

7.1. Confidential information

In accordance with clause 6A.10.1 (f)(2) of the EII Act Chapter 6A and the AER's Confidentiality Guideline⁴, we have completed a confidentiality template as an Attachment to this Revenue Proposal that details the matters for which we are claiming confidentiality.

7.2. Certifications

Statutory declaration

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

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

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

7.3. Compliance checklist

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

7.4. Supporting documentation

The following Table 7-1 provides lists of documents that support our 2026 WSB non-contestable adjustment proposal.

Table 7-1: Sets out lists of documents supporting 2026 WSB non-contestable adjustments proposal.

Document / Model number	Document Name
Models	
M.1	Capex Forecast Model
M.2	Direct Non-Labour Model
M.3	Post Tax Revenue Model (PTRM)
Other supporting documentation	
A.1	Confidentiality claims

⁴ We have used the AER's [Draft Non-disclosure Guideline Electricity Infrastructure Investment Act 2020 \(NSW\)](#), Feb 2026.

⁵ AER, Information notice issued to Transgrid for the Waratah Super Battery project (non-contestable). The form of the statutory declaration is set out in section 6.1.7 of the information notice.

Document / Model number	Document Name
A.2	Compliance with the AER's Adjustment Proposal requirements
A.3 – A.81	Contract Variations
A.82	Statutory Declaration