**Murraylink – Annual Information Order**

**Additional Supporting Information – for the year ended 30 June 2025**

In accordance with the **Annual Information Order**, the following information is required to be provided.

## 1. Policies and Procedures

Murraylink provides the following supporting information to the Australian Energy Regulator (AER):

- **Regulatory Accounting Principles and Policies** – to be provided as part of this submission (Appendix A).
- **Capitalisation Policy** – to be provided as part of this submission (Appendix B).
- **Approved Cost Allocation Method** – has already been provided to the AER on 31 January 2017.

## 2. Regulatory Adjustments Recorded in the Data Workbooks

Applicable to:

- **Workbook 06 – Operating Expenditure**
- **Workbook 09 – Revenue and Financial Statements**

### 2.1 Workbook 06 – Operating Expenditure (Workbook 06)

In workbook 06, there is 1 regulatory adjustment which is required to reflect:

- Adjustment 1 – to reflect debt raising cost

#### 2.1.1 Adjustment 1 – Debt raising costs

(a) **Detailed explanation for the underlying reason for the regulatory adjustment**
Debt raising costs are not incurred for accounting purposes however the regulatory operating costs includes an allowance for debt raising costs, as debt raising costs forms part of the asset's calculation of revenue per the building block approach as part of its Revenue Determination.

(b) **Methodology and assumptions used to quantify the regulatory adjustment**
Below are the steps taken to for calculating the regulatory adjustment:

- Calculated using the AER-approved methodology for debt raising costs.
- Based on the average value of the Regulatory Asset Base (RAB) for the reporting year, determined using the AER's Roll Forward Model (RFM).
- An AER-approved debt raising cost rate is applied to the notional debt-funded portion of the RAB (i.e., 60%).

- The resulting amount represents the regulatory operating expenditure allowance for debt raising costs.

Formula:

Raising Cost Adjustment=(Average RAB×Notional Debt Proportion)×AER Debt Raising Cost Rate

(c) Relevant debits and credits associated with the regulatory adjustment

**Dr:** Debt Raising Costs (Profit & Loss) and

**Cr:** Equity (Balance Sheet)

### 2.2 Workbook 09 Revenue and Financial Statements (Workbook 9)

In workbook 9, there are 2 regulatory adjustments which are required to reflect:

- Adjustment 1 – regulatory depreciation expense
- Adjustment 2 – debt raising costs (refer explanation provided in section 2.1.1)

#### 2.2.1 Adjustment 1 – Regulatory Depreciation expense

(a) **Detailed explanation for the underlying reason for the regulatory adjustment**

An adjustment is made to depreciation and amortisation to reflect the total regulatory depreciation expense approved by the AER.
This includes forecast depreciation from the AER's Post-Tax Revenue Model (PTRM) and the indexation on the opening regulated asset base (RAB).
It aligns the financial statements with the regulatory approach, which differs from statutory (accounting) depreciation.

(b) **Methodology and assumptions used to quantify the regulatory adjustment**

Below are the steps taken to for calculating the regulatory adjustment:

- Regulatory depreciation is taken from the AER-approved PTRM for the relevant revenue determination year.
- Accounting depreciation is taken from the Interconnector's audited financial statements.
- The adjustment equals the difference between regulatory and accounting depreciation.
- Regulatory depreciation includes RAB indexation and follows the AER's approved asset lives and inflation assumptions.

(c) Relevant debits and credits associated with the regulatory adjustment
(d) Relevant debits and credits associated with the regulatory adjustment

Dr**:** Regulatory deprn expense (Profit & Loss)

Cr: Accounting deprn & amortisation expense (Profit & Loss)

**Cr:** Equity (Balance Sheet)

## 3. Regulatory adjustment journal

As the Interconnector has previously provided the AER with a regulatory adjust journal in response to annual reporting obligations in place for previous years, the Interconnector must continue to provide this journal. Below is the journal for the year ended 30 June 2025.

| Journal number | Account Debited / Account Credited | Amount | |
|---|---|---|---|
| | | Debit $'000 | Credit $'000 |
| GJ01 | Property, Plant & Equipment - Accumulated Depreciation | 120,792 | |
| | Equity | | 42,822 |
| | Property, Plant & Equipment - Cost base | | 79,072 |
| | Depreciation ans amortisation expense (Accounting) | | 4,088 |
| | Depreciation expense (Regulatory) | 5,190 | |
| | Being adjustment made on the written down value of the assets to bring it in line with the net regulatory values of assets at the end of regulatory reporting period. | | |
| GJ02 | Regulatory: Debt Raising Cost | 77 | |
| | Equity | | 77 |
| | Being adjustment for Debt raising costs, as forms part of Opex when determining the Building block as part of Murraylink Revenue Determination. | | |

## 4. Material differences

The service provider must identify each difference (where the difference is equal to or greater than ± 10 per cent) between the amount reported and if relevant, the amounts approved by the AER.

4.1 Service target performance incentive scheme Vs actual performance reported

More faults were experienced than the target.

4.2 AER's forecast operating expenditure Vs Actual operating expenditure

| | FY25 |
|---|---|
| | $ (nominal) |
| Forecast operating expense (AER Final Decision) | 5,324,078 |
| Actual operating expense | 7,374,161 |
| Variance (overspend) | (2,050,083) |
| Variance % | (39%) |

Explanation for the overspend:

The forecast operating expenditure for the current revenue period was based on the FY21 Operating expenditure.

The main expenditure item in Murraylink operating expenditure is the Operating and Maintenance charge from APA which increased by $2.1m between those years in real terms.

Due to changes in the APA accounting system we don't have FY21 operating expenditure on a basis that allows comparison with FY 25 operating expenditure directly. Therefore, it is difficult to identify specific projects that drove a higher operating expenditure.

We can identify within the APA O&M the most significant cost increases were in labour of $0.9m ($m FY25) and contractors of 0.8m ($m FY25). Due to how these costs were recorded in FY21 we are unable to see what activities have led to the cost increase.

### 4.3 AER's forecast capital expenditure Vs Actual capital

| | FY25 |
|---|---|
| | $ (nominal) |
| Forecast Capex (AER Final Decision) | 4,867,371 |
| Actual Capex Incurred | 4,802,216 |
| Variance – Underspend | 65,155 |
| Variance % | 1% |

As variance between the forecast and actual is less than 10%, an explanation of the variance is not required.