Transgrid

People. Power. Possibilities.

A.3 Annual Information Order

Supporting information requirements response 2024-25

November 2025

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1. Introduction

Transgrid operates and manages the major high voltage electricity transmission network in NSW and the ACT as a transmission network service provider (TNSP), connecting generators, distributors and major end users.

Transgrid is the trading name for the NSW Electricity Networks Operations Pty Ltd (ACN 609 169 959) as a Trustee for the NSW Electricity Networks Operations Trust (ABN 70 250 995 390).

On 5 April 2024, the Australian Energy Regulator (AER) made an Annual Information Order (Order) applying to electricity distribution and transmission networks, and interconnectors. These Orders require Transgrid to annually prepare and submit certain information to support the AER's regulatory responsibilities.

This document provides Transgrid's response to the requirements set out in Chapter 4 *Supporting Information Requirements* of the Order[1] and identifies the confidential information contained in this response in accordance with the AER's *Confidentiality Guideline*.

[1] AER, **Annual Information Order - Electricity TNSPs - April 2024**, April 2024, chapter 4, pp. 8-14

2. Compliance with Annual Information Order Requirements

Table 2-1 below provides the location of our response to each requirement of Section 4 of the Order. Each requirement is listed alongside the corresponding section and page number in this document where our detailed response can be found.

Table 2-1 Responses to Section 4 requirements

AER Annual Information Order	Transgrid's location of response in this document	
Section	**Section**	**Page No.**
4.2 Policies and Procedures	4.1 Policies and Procedures	7
4.3 Regulatory adjustments	4.2 Regulatory adjustments	8
4.4 Discretionary row descriptors	4.3 Discretionary row descriptors	9
4.5 Allocation of revenues and expenditures to services segments	4.4 Allocation of revenues and expenditures to services segments	12
4.6 Material differences	4.5 Material differences	13
4.7 Service Performance Information	4.6 Service performance information	18
4.8 Third party benefit transactions	4.7 Third party benefit transaction	19
4.9 Demand management innovation allowance mechanism	4.8 Demand management innovation allowance mechanism	19
4.10 Tax Standard Asset Lives	4.9 Tax Standard Asset Lives	21
4.11 Tax reporting – immediate expensing	4.10 Tax reporting – immediate expensing	22
4.12 Regulatory Investment Test (RIT-T) Expenditure	4.11 Regulatory Investment Test (RIT-T) Expenditure	23
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4.14 Compliance	4.13 Compliance	26
4.15 Reconciliation of expenditure	4.14 Reconciliation of expenditure	27
4.16 Benchmarking asset base	4.15 Benchmarking asset base	27
4.17 Taxable income adjustments	4.16 Taxable income adjustments	27
4.18 Interest Expense	4.17 Interest Expense	27

AER Annual Information Order	Transgrid's location of response in this document	
Section	**Section**	**Page No.**
4.19 Large projects	4.18 Large projects	28

Table 2-2 provides a list of the documents provided as part of our annual information submission.

Table 2-2 List of documents submitted to the AER

Document Name	Date
Transgrid – Annual Order – 2024-25 – A.1 Statutory Declaration - Public	25 Nov 2025
Transgrid – Annual Order – 2024-25 – A.1 Statutory Declaration - Confidential	25 Nov 2025
Transgrid – Annual Order – 2024-25 – A.2 Basis of Preparation - Confidential	25 Nov 2025
Transgrid – Annual Order – 2024-25 – A.3 Supporting Information Requirements Response - Public	25 Nov 2025
Transgrid – Annual Order – 2024-25 – A.3 Supporting Information Requirements Response - Confidential	25 Nov 2025
Transgrid – Annual Order – 2024-25 – A.4 Workbook – Consolidated - Public	25 Nov 2025
Transgrid – Annual Order – 2024-25 – A.4 Workbook – Consolidated - Confidential	25 Nov 2025
Transgrid – Annual Order – 2024-25 – A.5 Expenditure Capitalisation Standard – Public	30 Apr 2025
Transgrid – Annual Order – 2024-25 – A.5 Expenditure Capitalisation Standard – Confidential	30 Apr 2025
Transgrid – Annual Order – 2024-25 – A.6 Audit Report ASA 805 – Public	7 Nov 2025
Transgrid – Annual Order – 2024-25 – A.6 Audit Report ASA 805 – Confidential	7 Nov 2025
Transgrid – Annual Order – 2024-25 – A.7 Audit Report ASRE 2405 – Public	7 Nov 2025
Transgrid – Annual Order – 2024-25 – A.7 Audit Report ASRE 2405 – Confidential	7 Nov 2025
Transgrid – Annual Order – 2024-25 – A.8 Audit Report ASRE 3000 – Public	7 Nov 2025
Transgrid – Annual Order – 2024-25 – A.8 Audit Report ASRE 3000 – Confidential	7 Nov 2025

3. Confidentiality Claims

Table 3-1 set out Transgrid's confidentiality claims for A.3 Annual Information Order - Supporting information requirements response 2024-25.

Table 3-1 Confidentiality claims for A.3 Supporting information requirements response 2024-25

Title, page and paragraph number (i.e. section and page number)	Description of the confidential information	Topic of the confidential information	Confidentiality category	Why the confidential information falls into the selected category	How and why detriment would be caused from disclosing the confidential information	Why the identified detriment is not outweighed by the public benefit	Number of confidential pages
Material differences – capital expenditure (capex)							
The following locations in the document: • Section 4.5.3 - Pages 17	Analysis of variances between forecast and actual capex by purpose	Capex by purpose variance analysis	Market sensitive cost inputs, Market intelligence and Other	The information contains information which would enable market intelligence to be derived and has information which is confidential to Transgrid's Security holders.	It contains information at a level which may provide an advantage to our competitors and compromise our commercial position. We do not believe there is any benefit in the disclosure of this information.	Disclosure may lead suppliers to align their bids with previously accepted pricing rather than offering their most competitive rates, which could reduce price competition and potentially disadvantage consumers.	1 page

Title, page and paragraph number (i.e. section and page number)	Description of the confidential information	Topic of the confidential information	Confidentiality category	Why the confidential information falls into the selected category	How and why detriment would be caused from disclosing the confidential information	Why the identified detriment is not outweighed by the public benefit	Number of confidential pages
Large Projects							
The following locations in the document: • Section 4.18 – Large project capex, page 29-30	Expenditure details and variance analysis between actual and forecast expenditure for Large Projects	Capex	Market sensitive cost inputs and Market intelligence	Disclosure may provide the ability to determine Transgrid's unit rates for procurement for labour and materials.	It contains information at a level which may provide an advantage to our competitors and compromise our current or future commercial position. We do not believe there is any benefit in the disclosure of this information.	Disclosure may lead suppliers to align their bids with previously accepted pricing rather than offering their most competitive rates, which could reduce price competition and potentially disadvantage consumers. Competitors of non-regulated revenue opportunities may provide a price that would lower than Transgrid's bid and not the best price.	2 pages

4. Supporting information requirements

4.1. Policies and procedures

Table 4-1 summarises our regulatory accounting principles and policies, capitalisation policy, and cost allocation methodology, and details any changes made to these during the reporting period.

Table 4-1 Policies and procedures

Document Name	Changes in the last 12 months	Date last submitted to the AER
Cost Allocation Methodology (CAM)	Nil	24 Jul 2025
A.5 Expenditure Capitalisation Policy	**Description of the Change:** • Accounting treatment for capitalised interests, capitalised bank guarantee fees and biodiversity costs added • Procedures for capitalisation of miscellaneous assets updated • Current group structure and system updated **Reason for the change and impact on the information being reported:** The updates were made to: • Provide better guidance to the business and ensure processes are implemented uniformly. • Reflect current group structures and system configuration. These changes will improve information being reported.	Updated procedure provided as part of our 2024-25 response to the Order.

4.2. Regulatory adjustments

Table 4-2 provides the information that reconciles and explains all adjustments between the prescribed transmission services included in our audited financial statements and the regulatory accounts

Table 4-2 Regulatory adjustments ($, Nominal)

Journal Number	Accounts	Amount	
		Debit	Credit
1	Dr Depreciation	76,239,219	
	Cr Reserve		76,239,219
	Adjusts statutory straight-line depreciation for prescribed property, plant & equipment and intangible assets to regulatory depreciation.		
2	Dr Network charges	108,036,317	
	Cr Deferred revenue		108,036,317
	Adjusts statutory prescribed revenue to regulatory revenue.		
3	Dr Other revenue	5,750,000	
	Cr Regulatory Asset Base		5,750,000
	Adjustment to account for insurance proceeds received in relation to the damage and subsequent rebuild works at the Marulan and Dapto substations, with the proceeds offset against the Regulatory Asset Base for regulatory reporting purposes.		
4	Dr Gross Proceeds from sale of fixed assets	1,842,037	
	Cr Regulatory Asset Base		1,842,037
	Adjustment to gross proceeds from asset disposal for statutory reporting purposes to offset against the Regulatory Asset Base for regulatory reporting purposes.		

4.3. Discretionary row descriptors

Table 4-3 identifies any changes to the discretionary row descriptors from the previous reporting period including:

- An explanation of the relationship between the current row descriptors, and those used in the previous annual submission
- An explanation of why the change was made
- Reference to supporting material (where required)

Table 4-3 Discretionary Row Descriptors

2024-25 Workbook			
Template	**Table & cell reference**	**Comparison to prior year**	**Reason for update**
2.2 Repex	**Table:** 2.2.1 Replacement expenditure volumes and asset failures by asset category **Cell reference:** D203 to D205	3 new discretionary row descriptors have been added: • Civil works • 330kV Steel pole structure refurbishment (guys, fittings, signage, etc.) • Synchronous Condenser	The descriptors were newly created to enable the required reporting of direct expenditure, asset replacements and asset failures which occurred during the reporting period
	Table: 2.2.2 Selected Asset Characteristics **Cell reference:** Substation Reactive plant by reactive capacity – D258	1 new discretionary row descriptor has been added: • Total MVAr Syncons	The descriptors was newly created to enable reporting of the asset failure and assets in commission that occurred during the period.
2.5 Connections	**Table:** 2.5.1 Expenditure on connection projects **Cell reference:** D14 to D15	Removal of prior year discretionary row descriptor • Vineyard 132 kV connection - Box Hill Sub' 2 new discretionary row descriptors have been added:	This section describes projects that have commissioned since the last reporting period.

2024-25 Workbook			
Template	**Table & cell reference**	**Comparison to prior year**	**Reason for update**
		• Maintain Newcastle Substation fault level • DNSP Req – QBY TL975	
	Table: 2.5.2 Description of connection projects (asset) **Cell reference:** D53 to I15	Removal of prior year discretionary row descriptor • Vineyard 132 kV connection - Box Hill Sub 2 new discretionary row descriptors have been added: • Maintain Newcastle Substation fault level • DNSP Req – QBY TL975	
5.2 Asset age Profile	**Table:** 5.2.1 Asset Age Profile **Cell reference:** D189 to D201	13 new discretionary row descriptors have been added: • < = 11 kV Auxiliary Transformer • Subsequent costs of previously commissioned substation projects • Subsequent costs of previously commissioned secondary systems projects • Subsequent costs of previously commissioned transmission line projects • Building • Substation Security • SVC Cooling and Control • Minor wood pole structure refurbishment (guys, fittings, signage, etc.) • Tower Strengthening • Substation Oil Containment • Civil Works	The AER's reporting template links these discretionary row descriptors to Table 2.2 Repex. These tables were not previously linked.

2024-25 Workbook			
Template	**Table & cell reference**	**Comparison to prior year**	**Reason for update**
		• 330kV Steel pole structure refurbishment (guys, fittings, signage, etc.) • Synchronous Condenser	
5.4 MD & Utilisation - Spatial	**Table:** 5.4.1 Non-coincident & Coincident Maximum Demand **Cell reference:** Line 127 onwards	In the 2023-24 Category Analysis workbook there were blank data fields from: • B121:B142 • B847:B890 These blank data cells have been removed in the 2024-25 workbook. The following discretionary row descriptors names were improved for clarity: • Canberra Evoenergy is reported as Canberra. • Wang 66kV/ Wang 132kV is now reported as Wallerawang 66kV/132kV.	Removal of blank data cells and improvement of discretionary row descriptors for clarity.
2.4 Hist Capex by Asset Class	**Table:** 2.4.1 Actual Gross Capex – As commissioned **Cell reference:** D35 to D36	2 new discretionary row descriptors have been added: • Biodiversity offsets (Stewardship sites) – PEC • Biodiversity offsets (Direct payments and other costs) - PEC	The AER have approved for Transgrid to report PEC biodiversity offset costs against these asset classes.
	Table: 2.4.1 NCIPAP **Cell reference:** D231 and D232	2 new discretionary row descriptors have been added: • Transmission Lines (2024-28) • Substations (2024-28)	NCIPAP projects reported by asset class as per AER guideline 6.4 Capex by asset class. Previously NCIPAP projects were reported by individual projects and in a separate worksheet in Regulatory accounts 2023-24. This year 2024-25 has been combined into 2.4 Hist Capex by Asset Class worksheet.

2024-25 Workbook			
Template	**Table & cell reference**	**Comparison to prior year**	**Reason for update**
8.5 Disaggregated Opex	**Table:** 8.5.1 Disaggregated Opex – Operations & Maintenance Expenditure – Audited Financial Statements **Cell reference:** D17	1 new discretionary row descriptors have been added: • Network support pass-through costs	To recognise Network Support passthrough costs.
7.7 Inf Rel Part Trans	**Table:** 7.7.1 Related party transactions – payments from related parties **Cell reference:** D15:D21	Removal of descriptor previously reported in 2023-24: • Under Expense, Entities controlled or materially influenced by security holders	Due to the change of "related party" definition (interest of directors are now excluded)/ irrelevant data.
	Table: 7.7.1 Related party transactions – payments to related parties **Cell reference:** D27:D28	Removal of descriptor previously reported in 2023-24: • Entities controlled by Transgrid	Due to the change of "related party" definition (interest of directors are now excluded)/ irrelevant data.

4.4. Allocation of revenues and expenditures to service segments

Transgrid's General Ledger is structured to separately capture prescribed, non-regulated, and negotiated costs through distinct cost centres and account codes. Where appropriate, costs are ring-fenced for regulatory reporting purposes. In accordance with our Cost Allocation Methodology, Transgrid applies direct labour as the cost driver to allocate support costs that are not directly attributable to a specific category of Transmission Service. The reasons for using this approach include:

- All lines of work Transgrid performs have a significant direct labour input. Transgrid's labour costs represent the majority of its operating expenditure (opex). In addition, the majority of work outsourced has a high labour component e.g. easement maintenance; drafting services; environmental assessments.

- Transgrid has robust systems in place to capture direct labour as set out above, and
- Transgrid recognises the level of support required for a task is generally aligned to the level of labour involved in undertaking that task.

It is believed that this allocation method is the most appropriate for Transgrid. Costs are allocated on a causal basis in a way that is both transparent and equitable.

The numeric quantity or percentage of the direct labour allocator will change from time to time throughout the regulatory control period, because the quantum of the cost driver on which the allocator is based will change in the normal course of events. The information from which the percentage of direct labour allocator will be calculated will be sourced from Transgrid's Enterprise Resource Planning financial management systems.

By ensuring that costing is correctly allocated using the abovementioned approach, the need to further allocate costs in an arbitrary manner is negated. As such there is no indirect cost allocated on a causal basis.

4.5. Material differences

4.5.1. Service Target Performance Incentive Scheme (STPIS)

Table 4-4 identifies each difference between the target performance measure specified in the STPIS and actual performance reported in our data workbooks. Variances explanations are provided for each difference equal to or greater than ± 10 percent.

The reason for the STPIS parameters below deviate from their targets (which are calculated from historical average performance) by more than ±10% is due to expected statistical variation in these parameters from year to year. Based on data from the past five years, these values have deviated from their respective targets by more than ±10% in 85% of cases.

Table 4-4 Target performance in STPIS vs Actual Performance equal or greater than 10%

Service parameter 1 – average circuit outage rate	Actual % (A)	Target % (B)	Variance % (C) = (A) – (B)	Variance % (C) / (B)	Explanation for variance +/- 10%
Lines outage rate - fault	5.3	14.3	(9.0)	(63.1)	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.
Transformers outage rate - fault	11.2	9.7	1.6	16.2	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.
Reactive plant outage rate - fault	11.6	12.1	(0.6)	(4.6)	N/A
Lines outage rate – forced outage	5.3	8.7	(3.4)	(39.3)	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.
Transformers outage rate - forced	9.0	9.9	(0.9)	(9.1)	N/A
Reactive plant outage rate - forced	12.2	9.8	2.4	24.5	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.

Service parameter 1 – average circuit outage rate	Actual % (A)	Target % (B)	Variance % (C) = (A) – (B)	Variance % (C) / (B)	Explanation for variance +/- 10%
S7. Loss of supply events: Number of events > system minutes per annum (x)	5.0	1.0	4.0	400	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.
S8. Loss of supply events: Number of events > system minutes per annum (y)	2.0	0.0	2.0	Division by zero undefined	N/A
Average outage duration	854.8	62.0	792.8	1,278.7	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.
Failure of protection system	8	13	(5)	(38.5)	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.
Material failure of Supervisory Control and Data Acquisition (SCADA) system	-	-	-	Division by zero undefined	N/A
Incorrect operational isolation of primary or secondary equipment	11	5	6	120	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.

Service parameter 1 – average circuit outage rate	Actual % (A)	Target % (B)	Variance % (C) = (A) – (B)	Variance % (C) / (B)	Explanation for variance +/- 10%
Market impact parameter	51,898	6,476	45,422	701.4	The variance has been evaluated in the context of the Z-score for the current year value, applying a five-year time series. The calculated Z-score lies within the +/-2 threshold, thereby considered not constituting a material deviation or variance.

The quantity of unsupplied energy for calendar year 2024 reported in the section 3.6.1 of 2024-25 workbook of 5,318 MWh constitutes a significant increase from the previous year's (calendar year 2023) value of 66 MWh, primarily due to the Broken Hill loss of supply incident in October 2024.

4.5.2. Opex

The difference between 2024-25 actual and forecast opex is less than 10%.

4.5.3. Capex by purpose

Variances explanations are provided for each difference equal to or greater than ± 10 percent.

It should be noted that the actual Capex reflects higher-than-forecast increases in market prices for equipment, materials and contracted construction services.

Table 4-5 identifies each difference between actual and forecast capex by purpose. Variances explanations are provided for each difference equal to or greater than ± 10 percent.

Table 4-5 Capex by purpose variance analysis ($, Nominal)

Capex by purpose	Actual 2024-25	[redacted]
Replacement	169,904,295	
Connections	2,242,189	
Augmentation	1,986,329,241	
ICT	29,040,325	
Other Non-network	24,151,904	
Total gross capex	**2,211,667,954**	

[2] https://www.aer.gov.au/documents/aer-transgrid-2023-28-final-decision-capex-model-april-2023 and AER - Transgrid FD PTRM - 2024-25 RoD update - Humelink S2 - August 2024 - Public | Australian Energy Regulator (AER)

4.6. Service performance information

This section provides Transgrid's service performance information as follows:

(a) The primary drivers of service performance in the relevant calendar year

Transgrid's service performance is represented by the S-factor being the sum of the STPIS incentive from the Market and Service components divided by the Maximum Allowed Revenue. We consider a significant change in our s-factor to be determined by a z-score being outside of the range of +/-2. The z-score is defined as the current year's s-factor minus the mean of the s-factors over the prior 5 years divided by the standard deviation of the last 5 years' s-factors. **Table 4-6** below illustrates the STPIS s-factor trend over the past five calendar years.

Table 4-6 STPIS s-factor trend calendar year 2020 to 2024

Calendar Year	S-Factor
2020	(0.45%)
2021	(0.23%)
2022	(0.25%)
2023	(0.43%)
2024	(1.08%)

Table 4-7 below provides statistics which are determined using the table above.

Table 4-7 Statistics for mean, standard deviation and Z-Score

Statistic	Value
Mean	(0.49%)
Standard Deviation	0.35%
Z-Score (2024)	(1.71)

Given that the 2024 Z-score is within the threshold of +/-2, this quantity does not constitute a statistically significant change from prior years.

(b) Proposed service standards factor (s-factor) and financial incentive

Table 4-8 below shows the proposed STPIS s-factors and financial incentives for Calendar Year 2024, with and without exclusions.

Table 4-8 STPIS s-factors and financial incentives

Quantity	Value (With Exclusions)	Value (without exclusions)
S-factor	(1.08%)	(1.37%)
Financial Incentive*	($10,256,065)	($12,933,024)

* Summation of the STPIS Service and Market Components.

(c) Current criteria for any aspect of Transgrid's STPIS parameters

There is no aspect of Transgrid's STPIS parameters subject to change during the current regulatory period.

4.7. Third Party Benefit Transaction

No third-party benefit transactions were identified during 2024-25.

4.8. Demand Management Innovation Allowance Mechanism (DMIAM)

Table 4-9 identifies the DMIAM eligible project for which we seek approval as DMIAM as well as how it complies with project criteria detailed in section 2.2.1 of the DMIAM

The Annual Compliance Report for this project was submitted to the AER in October 2025 in accordance with section 2.3 of DMIAM.

Transgrid also confirms that there is no project that was conducted in previous years of current regulatory control period and no further requirements specified by the DMIAM to be addressed.

Table 4-9 DMIAM eligible project

Project	Description	How project meets DMIA project criteria
AgenticGrid.ai	AgenticGrid.ai is a research project to develop innovative ways to consider and implement demand management capacity. AgenticGrid.ai is an AI-driven platform that simulates a digital twin of a Bulk Supply Point in Transgrid's network.	***Clause 2.2.1.1(a) A project for researching, developing or implementing demand management capability or capacity.*** This is a research and development collaboration project with RACE for 2030, GridGuru Pty Ltd. and Monash University.

Project	Description	How project meets DMIA project criteria
	The platform is intended to allow users to assess the network by simulating a range of scenarios including: • supply and demand fluctuations, • different grid configurations, • renewable energy integration, and • Distributed Energy Resources (DER) and Customer Energy Resources (CER) adoption. Through the simulations, AgenticGrid.ai will look to: • compare the effectiveness of different demand management strategies • identify scalable demand-side interventions that could reduce reliance on costly network augmentations.	The project will develop a digital model of a Bulk Supply Point in Transgrid's network that can incorporate different scenarios and network configurations. The digital model will allow different demand management strategies to be assessed and potentially identify new demand management opportunities. ***Clause 2.2.1.1(b)(ii) Involves technology or techniques that differ from those previously implemented or used in the relevant market*** The project aims to utilise AI to predict demand and supply fluctuations, optimise resource allocation and assess network constraints. The interactive tool enables technical and non-technical stakeholders to interrogate the digital model themselves. The visual interface enables users to easily understand and assess the results. ***Clause 2.2.1.1(c) Have the potential, if proved viable, to reduce long-term network costs*** The platform developed in this project has the potential to enable more demand management capacity which is typically more cost efficient compared to network solutions. ***Clause 2.2.1.1(d) Be subject of a public commitment, given by the TNSP before the project or program commences, to share information about the results of the project (including the learnings and insights that have been gained from implementing the project) where requested to do so by any person, and to minimise confidentiality claims over that information as far as possible***

Project	Description	How project meets DMIA project criteria
		The project findings will be published in a report on Transgrid's website. The findings will also be presented at industry forums and webinars. ***Clause 2.2.1.2 TNSP's costs of a project are not eligible for recovery under the mechanism if those costs are recoverable under any other jurisdictional incentive scheme, recoverable under any state or Australian Government scheme or otherwise included in forecast capital expenditure or operating expenditure approved in the TNSP's distribution determinations*** The project costs have not been included in Transgrid's 2023-28 revenue determination. ***Clause 2.2.1.3 A TNSP's costs of a project are only eligible for recovery under the mechanism if those costs are operating expenditure costs*** The project costs are associated with operational expenditure only. ***Clause 2.2.1.4 The mechanism does not require a TNSP's eligible project to be geographically constrained to its transmission network*** The project is focussed on a Bulk Supply Point within Transgrid's network.

4.9. Tax standard asset lives

The tax standard lives in the AER Humelink Stage 2 Decision Post Tax Revenue Model (PTRM)[3] align to the Roll forward Model (RFM) for Transgrid's 2024-25 Annual Information Order reporting except for Project Energy Connect (PEC) biodiversity offset costs. The AER's PEC

[3] AER - Transgrid 2023-28 - Final Decision - PTRM - Humelink S2 - 2025-26 Return on debt update - January 2025 | Australian Energy Regulator (AER)

Contingent Project Application (CPA) Determination included biodiversity offset costs as part of the Land and Easements asset class. The AER has subsequently provided approval for Transgrid to report these costs as part of the biodiversity offset asset classes approved in the VNI-West Stage 1 and Humelink Stage 2 CPA determinations as this better reflects the nature of the assets. The tax standard asset lives in Transgrid's 2024-25 RFM has been updated to include the following two new tax standard asset lives:

- Biodiversity Offsets (Stewardship sites) – PEC – no tax standard asset life
- Biodiversity Offsets (Direct payments and other costs) – PEC – 50 year tax standard asset life

4.10. Tax reporting – immediate expensing

In the 2024-25 reporting period, the capex associated with the immediate expensing of capex included capital works that were repairs and maintenance. This is in accordance with tax legislation, current Australian Tax Office guidance, internal tax policy, and advice from its tax advisors. The capital works included the following:

- Refurbishment and remediation of damaged components of substations and transmission lines;
- Asbestos remediation;
- Painting; and
- Replacement of defective circuit breakers.

Table 4-10 below is an extract from Table 2.4.1 Immediate Expensing of Capex as commissioned of the AER's workbook. It provides a list a breakdown of the immediate expensing of capital expenditure per asset class applicable in 2024-25. The immediate expensing of capex was based on a detailed analysis of each individual project and the actual costs incurred on that project. There were no allocations based on assumptions made.

The income tax returns for the 2024-25 reporting period are currently being prepared. The due dates of the income tax returns for the Transgrid group are either on 3 March 2026 or 15 May 2026. The total value of the immediate expensing of capex will be consistent with the income tax returns for the Transgrid group.

Transgrid has not changed or intends to change its tax policy on immediate expensing of capex in the 2024-25 reporting period.

Table 4-10 Immediate Expensing of Capex ($, Nominal)

Asset class	Regulatory Accounts (Prescribed Transmission Services)
Immediate expensing of capex	
Transmission Lines	15,685,332
Substations	716,285

4.11. Regulatory Investment Test Expenditure

Table 4-11 identifies each project where Transgrid has incurred expenditure during the reporting period relating to a project that has undergone a RIT-T in accordance with r.5.15A, 5.16 and 5.16A (as applicable) of the NER and the AER's RIT-T application guidelines, with the following details:

- the name of the RIT-T and the date on which the RIT-T process was concluded; and
- whether the expenditure on the project is classified as augmentation expenditure or replacement expenditure.

Note: Projects with RIT-T concluded as at 30 June 2025 were selected as the cut-off date.

Table 4-11 RIT-T project lists

Name	Date RIT-T process concluded
Augex	
ElectraNet - SA Energy Transformation regulatory investment test for transmission (RIT-T)	24/01/2020
Reinforcing the NSW Southern Shared Network to increase transfer capacity to demand centres (HumeLink)	17/12/2021
Improving stability in South-Western NSW	15/06/2022
Victoria to New South Wales Interconnector West	27/05/2023

Name	Date RIT-T process concluded
Meeting demand growth in the Greater Macarthur area	12/10/2020
Powering Sydney's Future	14/12/2017
Victoria to New South Wales Interconnector Upgrade	31/03/2020
Maintaining reliable supply to Western Sydney	19/12/2024
Maintaining voltage levels in Northern NSW	05/03/2024
Managing increased fault levels in southern NSW	27/04/2025
Increasing capacity for generation in the Molong and Parkes area	02/12/2023
Maintaining Reliable Supply to Deniliquin Coleambally and Finley area	17/03/2023
Maintaining a reliable supply to Broken Hill	26/05/2022
Maintaining reliable supply to the North West Slopes area	31/07/2022
Meeting demand growth and reliability requirements in the Parkes area	19/12/2024
Repex	
Maintaining compliance with performance standards applicable to Wagga 330 kV substation secondary systems	02/06/2020
Maintaining compliance with performance standards applicable to Broken Hill substation secondary systems	14/12/2021
Maintaining compliance with performance standards applicable to Deniliquin substation secondary systems	02/06/2020
Maintaining compliance with performance standards applicable to Darlington Point substation secondary systems	10/08/2021
Maintaining compliance with performance standards applicable to Ingleburn substation secondary systems	02/08/2022
Managing safety and environmental risks on Line 81 (Newcastle-Liddell)	26/02/2020
Maintaining compliance with performance standards applicable to Murrumburrah substation	18/01/2021
Maintaining a reliable Static Var Compensator at Lismore	20/01/2020
Managing asset risks at Forbes substation	04/01/2021
Managing safety and environmental risks on Line 21 (Tuggerah - Sydney North)	12/01/2022
Managing safety and environmental risks on Line 24 (Vales Point - Eraring)	04/07/2022

Name	Date RIT-T process concluded
Managing safety and environmental risks on Line 25 & Line 26 (Vineyard-Munmorah)	03/07/2020
Managing safety and environmental risks on Line 18 (Kangaroo Valley-Dapto)	24/01/2022
Managing risk on Line 23	08/08/2023
Maintaining compliance with performance standards applicable to Haymarket substation secondary systems	03/06/2020
Managing Sydney East substation's asset risks	13/07/2019
Managing safety and environmental risks from corrosion on Line 959/92Z	19/09/2019
Managing risk on Line 966	02/01/2024
Maintaining compliance with performance standards applicable to Tuggerah substation secondary systems	12/10/2020
Maintaining safe and reliable operation of Murray substation	06/05/2024
Addressing low spans on Line 1, Line 2, and Line 973/9GL	08/10/2024
Managing risk on Line 977/1	16/03/2024
Managing risk on Southern Sydney transmission lines	28/08/2023
Managing risk on Line 16	23/01/2024
Managing risk on Line 82/95 (Tomago-Seahampton)	26/03/2025
Managing risk on Lines 21,22,959 & 92Z (conductor condition)	03/07/2024
Managing risk on Line 963	17/01/2025
Managing the risk of capacitor bank failure	24/04/2024
Maintaining safe and reliable operation of Molong substation	05/08/2024
Managing the risk of circuit breaker failure	23/01/2024
Maintaining safe and reliable operation of Tamworth substation	17/01/2025
Maintaining compliance with performance standards applicable to Sydney East substation secondary systems	24/04/2024
Maintaining compliance with performance standards applicable to Regentville substation secondary systems	05/03/2025
Maintaining compliance with performance standards applicable to Wallerawang substation secondary systems	11/09/2024

Name	Date RIT-T process concluded
Managing the risk of disconnector failure	17/01/2025
Maintaining compliance with performance standards applicable to protection relays	26/07/2024
Managing risk on Line 86 (Tamworth-Armidale)	01/08/2022
Maintaining compliance with performance standards applicable to Lower Tumut substation secondary systems	16/06/2024
Managing risk on Line 8C/8J & Line 8C/8E (Dumaresq-Sapphire-Armidale)	19/12/2024
Maintaining safe and reliable operation of Buronga substation	17/01/2025

4.12. Related party information

Contracts and arrangements with related entities are established on commercial terms. Relevant project costs and revenue are directly recorded in Transgrid's financial system to support both statutory and regulatory reporting under this Order. This information can be found in Table 7.7 Related Party Transaction of our workbook.

4.13. Compliance

Transgrid's Risk Management System (CAMMS) is used to record, manage and report:

- Strategic, Operational and Project risks
- Hazards, Incidents, Leader Safety Conversation and Critical Risk Control Checks
- Audit observations, recommendations and actions
- Compliance obligations

There is a specific obligation for the identification of negative change cost pass throughs assigned as follows:

- CFO – Obligation Owner
- GM Regulation and Policy – Primary Risk Owner
- Senior Manager Regulation – Secondary Risk Owner

The CAMMS system requires the Risk Owner (Primary or Secondary) of the negative cost pass through Compliance Obligation to attest in the system whether there has been a negative cost pass through identified in the past quarter. If a negative cost pass through event is identified,

then further actions to address are undertaken including determining whether the event meets the eligibility criteria to submit a negative cost pass through application.

The materiality threshold applied includes events that result in Transgrid incurring lower costs exceeding 1% of the Maximum Allowable Revenue for that regulatory year.

4.14. Reconciliation of Opex

The total non-network operating expenditure is consistently reported and reconciled across the following worksheets:

- 2.1.2 Prescribed Transmission Service Opex
- 2.6.1 Non-network Opex, and
- 2.12.1 Input tables (Opex)

4.15. Benchmarking asset base

Consistent with prior years, Transgrid has not elected to report our benchmarking asset base using the optional additional approach outlined in section 7.1.11 of the AER's *Annual Information Order – Electricity TNSPs – Appendix A – Data workbooks instructions*[4].

4.16. Taxable income adjustment

For the 2024-25 reporting period Transgrid did not:

- Recognise any cumulative carried forward tax losses from the provision of core regulated services
- Make any taxable income adjustments for gifted assets, and
- Have any permanent differences due to disallowed interest expense or adjustments to prior year returns.

This information is also provided in the Section 8.7.1 Profitability Tax Data in A.2 *Basis of Preparation*.

4.17. Interest Expense

Section 8.7.1 Profitability Tax Data - Interest Expenditure of A.2 *Basis of Preparation* provides the following:

[4] AER, Annual Information Order – Electricity TNSPs – Appendix A – Data workbooks instructions, April 2024, section 7.1.11, p. 21

(a) a description and explanation of the methodology used to allocate the interest expenditure including:

(i) the specific debt that has been allocated to the Transgrid's core regulated services;

(ii) the general debt that has been allocated Transgrid's core regulated services;

(iii) the method used to allocate the specific debt and general debt between the regulated and unregulated assets held at the group level and also to the core regulated services; and

(iv) the method used to allocate related party interest to the Transgrid's core regulated services, to the extent related party debt has been included in the specific or general debt allocations; and

(b) where available or applicable to Transgrid, we have provided details of the characteristics of the portfolio of debt being allocated to the Transgrid, including:

(i) the value of drawn debt allocated to Transgrid's core regulated services;

(ii) the portfolio-weighted average term of debt instruments giving rise to interest expense reported; and

(iii) any additional detail in its basis of preparation, that Transgrid consider relevant in understanding the allocated interest expenditure.

4.18. Large Project Capex

Table 4-12 provides for each Large Project:

- The date of the AER determination incorporating the expenditure forecast for the Large Project into our maximum allowed revenue
- Whether the project is a Contingent Project (as defined by the National Electricity Rules)
- The expenditure forecast for the reporting period; the difference between forecast and actual expenditure; and drivers of the difference.

Table 4-12 Large project (Capex) ($, Nominal)

Project Name	Date of an AER determination	2024-25 Actual	2024-25 Forecast	Variance	Drivers of the variance
[redacted]					

Project Name	Date of an AER determination	2024-25 Actual	2024-25 Forecast	Variance	Drivers of the variance
[redacted]					