



Ref. A5945716

30 September 2025

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Kris,

Powerlink Cost Pass through Application
Physical security obligations under the Security of Critical Infrastructure Act Reforms

I refer to your correspondence of 18 June 2025, in which the Australian Energy Regulator (AER) approved a further, minor extension of time to 30 September 2025 for Powerlink Queensland (Powerlink) to submit its cost pass through application. The additional time has further enabled us to assess the evolving regulatory changes under the *Security of Critical Infrastructure Act 2018* (Cth) (SoCI Act) framework and develop a targeted, risk-based physical security uplift program.

Summary

This application seeks the AER's approval to recover a positive pass through amount of \$5.13 million (nominal) through prescribed transmission service prices in 2026/27.

The pass through amount is based on Powerlink's expected increase of [REDACTED] costs (capital and operating expenditure) it is likely to incur to undertake protective physical security measures to ensure the safety and security of the network under the SoCI Act as an owner and operator of critical infrastructure in 2025/26 and 2026/27.

Overall, the proposed investments will enable us to [REDACTED]
[REDACTED]
[REDACTED] These will help ensure immediate detection and response to breaches [REDACTED]
[REDACTED]

Confidentiality

Powerlink requests that the AER treat this application as confidential given it relates to Powerlink's critical infrastructure and outlines a series of measures to address its security vulnerabilities. As a result, we understand the AER will not undertake public consultation on this matter.

If you have any questions regarding this application, please contact Jennifer Harris.

Yours sincerely,



Darryl Rowell
Chief Financial Officer

Enquiries: Jennifer Harris, General Manager Network Regulation
Email: jenny.harris@powerlink.com.au

Attachments:

1. Powerlink's updated 2022-27 Post-Tax Revenue Model inputs

ATTACHMENT A – COST PASS THROUGH APPLICATION DETAILS

1. Regulatory Background

In Powerlink’s correspondence dated 9 August 2022 and 19 December 2023, we notified the AER of the potential for a cost pass through event arising from the reforms under the *Security Legislation Amendment (Critical Infrastructure Protection) Act 2022* (Cth) (SLACIP Act).

The SLACIP Act commenced on 2 April 2022 and amended the SoCI Act to introduce mandatory risk management program requirements. Subsequently, the Minister for Home Affairs made the *Security of Critical Infrastructure (Critical Infrastructure Risk Management Program) Rules 2023* (CIRMP Rules) on 17 February 2023, which confirmed their application to a critical electricity asset.¹ As the responsible entity of such an asset, Powerlink is subject to the CIRMP Rules as Queensland’s electricity Transmission Network Service Provider (TNSP).

The CIRMP Rules specified how Powerlink must manage security risks (covering physical security, cyber security, personnel and supply chain). Clause 11 outlines physical security obligations and requires responsible entities to establish and maintain a process or system in their CIRMP to:

- identify critical physical components;
- minimise or eliminate material risks and mitigate relevant impacts from physical security and natural hazards, so far as reasonably practicable;
- establish protocols to respond to unauthorised access incidents;
- control access to critical components; and
- test the effectiveness and appropriateness of security arrangements to detect, delay, deter, respond to and recover from a breach in the arrangements.

2. Materiality Assessment

Under the Rules,² a TNSP may seek the AER’s approval to pass through a positive change event to transmission network users if it incurs, or is likely to incur, materially higher costs (as opposed to the revenue impact) in any regulatory year of a regulatory period. The Rules define materially higher (or lower) costs as exceeding 1% of the Maximum Allowed Revenue (MAR) for that year.

Powerlink has estimated the costs it expects to incur in the last two years of its current regulatory period (2025/26 and 2026/27) to implement physical security requirements as a result of the SoCI Act and associated instruments – a positive change event. This information is set out in Table 1, which also provides a comparison with Powerlink’s relevant MAR. The table clearly shows that the positive change event exceeds the 1% of MAR threshold in each of the relevant years.

¹ CIRMP Rule, clause 4(1)(d). See also Part 2A of the SoCI Act.

Table 1: Materiality assessment (\$ million, nominal)

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Capital expenditure	-	-	-			
Operating expenditure	-	-	-			
Total expenditure	-	-	-			
Approved unsmoothed revenue*	n/a	n/a	n/a	818.01	788.39	n/a
1% of MAR	n/a	n/a	n/a	8.18	7.88	n/a
Materiality (%)	n/a	n/a	n/a			n/a

*Based on the AER's approved MAR from the 2025/26 Return on Debt update (March 2025).

3. Details and Date of Event

Powerlink considers that the SoCI reforms implemented through the SLACIP Act and CIRMP Rules constitute a positive change event, namely a service standard event under clause 6A.7.3(a1) of the Rules. As noted above, the reforms:

- introduce new requirements related to the physical protection (as well as other protections) of critical electricity infrastructure;
- alter how prescribed transmission services are delivered; and
- result in materially higher costs than would otherwise be the case.

The SLACIP Act established the legislative basis for the new obligations. The CIRMP Rules then set out how these are to be implemented, including the specific requirements for each domain. As a result, we consider **2 April 2022** (the commencement date of the SLACIP Act) as the date of the change event.

Alternatively, we consider that the SoCI Act reforms could be characterised as a regulatory change event, as they arise from legislative and subordinate instruments which substantially affect the manner in which prescribed transmission services are provided and result in material cost impacts.

4. Eligible Pass Through Amount

The Rules³ require that the applicant specify the eligible pass through amount. This amount is the increase in costs (as opposed to the revenue impact) a TNSP has incurred, and is likely to incur, in providing prescribed transmission services as a result of the positive change event.

The Rules⁴ allow these costs to be passed through until the end of the regulatory period in which the event occurred or, if the subsequent revenue determination makes no allowance for them, until the end of the following regulatory period.

In this case, the change event occurred in April 2022, which was near the end of Powerlink's previous 2017-22 regulatory period. For the purposes of this application, no expenditure was forecast or allowed in the AER's Revenue Determination for the 2022-27 regulatory period for physical security under the SoCI legislation.

³ Clause 6A.7.3(c)(3).

Therefore, Powerlink’s eligible pass through amount is [REDACTED]. This amount reflects the estimated increase in costs likely to be incurred to deliver Powerlink’s physical security program of works in the remainder of the current 2022-27 regulatory period.

Any further protective security measures considered necessary over the next regulatory period will be considered in the context of, and addressed as part of, Powerlink’s 2027-32 Revenue Proposal to the AER.

5. Positive Pass Through Amount

Sub-clauses 6A.7.3(c)(4) and (5) of the Rules require the applicant to specify:

- the positive pass through amount it proposes in relation to the change event (not exceeding the eligible pass through amount); and
- the amount it proposes to pass through in the regulatory year in which the event occurred, and in each subsequent regulatory year.

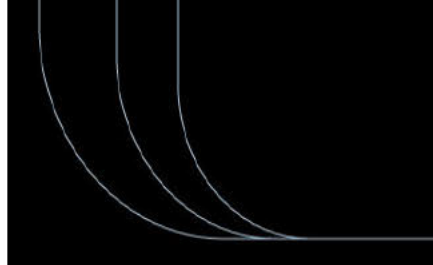
Powerlink’s proposed pass through amount is **\$5.13 million (smoothed, nominal)** of revenue in the current 2022-27 regulatory period. This reflects the operating expenditure and, additional return on and return of capital attributed to the additional capital expenditure included in the eligible pass through amount and the associated net tax allowance.

Since the expenditure will commence in late 2025/26, we propose that the full amount of \$5.13 million (nominal) be incorporated into prescribed transmission service prices in 2026/27. Powerlink has proposed this treatment of costs to enable all such expenditure incurred in the last two years of this regulatory period (ie. 2025/26 and 2026/27) to be recovered through prescribed transmission services prices in the final year of the period. We understand that this approach is consistent with the relevant limb of the eligible pass through amount requirements under the Rules – specifically, to allow the costs to be passed through until the end of the regulatory period.

Table 2 provides a breakdown of the building-block components to determine Powerlink’s expected revenue impact consistent with its updated Post-Tax Revenue Model (PTRM) inputs from the AER’s Final Determination for Powerlink’s 2022-27 regulatory period ([Attachment 1](#)). For clarification, the PTRM adopted for the calculations below is identified on the AER’s website as having been published in March 2025 and reflects the updated cost of debt and X-factor as of 7 January 2025.

Table 2: Revenue Impact (\$ million, nominal)

Building-block components	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Return on capital	-	-	-	[REDACTED]	[REDACTED]	[REDACTED]
Return of capital	-	-	-	[REDACTED]	[REDACTED]	[REDACTED]
Operating expenditure	-	-	-	[REDACTED]	[REDACTED]	[REDACTED]
Revenue adjustments	-	-	-	[REDACTED]	[REDACTED]	[REDACTED]
Net tax allowance	-	-	-	[REDACTED]	[REDACTED]	[REDACTED]
Annual building block revenue requirement (unsmoothed)	-	-	-	[REDACTED]	[REDACTED]	5.01
MAR (smoothed)	-	-	-	-	5.13	5.13



6. Evidence of Costs

Powerlink has undertaken a review of its physical security arrangements to assess whether they are fit-for-purpose in a rapidly evolving threat landscape. This review was informed by assessments [REDACTED].

[REDACTED] Powerlink will undertake various security works over 2025/26 and 2026/27 across critical sites, [REDACTED] regulatory period.

These measures were assessed against the CIRMP Rules and our CIRMP and were considered necessary to [REDACTED] safeguard critical systems as a consequence of our expanded obligations. We also consider the proposed measures to be prudent to protect our critical assets and reduce the risk of outages that could result in significant economic and social costs to Queenslanders.

The nature of the works to be undertaken in 2025/26 and 2026/27 are as follows and are considered necessary as a result of the change event.

6.1 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

6.4 Likely Costs

Consistent with the Rules,⁵ we seek to recover prescribed transmission service costs of [Redacted] likely to be incurred as a consequence of the change event set out in Table 3 below. These costs comprise both capital and operating expenditure, inclusive of a 10% contingency allowance.

Table 3: Proposed expenditure for enhanced physical security obligations (\$ million, nominal)

Work packages	Total Expenditure
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
Total	[Redacted]

[Redacted text block]