

Framework and Approach paper

Murraylink transmission determination 2028–33
(1 July 2028 – 30 June 2033)

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1 Framework and Approach paper

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia. The regulatory framework governing electricity transmission and distribution networks is the National Electricity Law and Rules (NEL and NER). Our work is guided by the National Electricity Objective (NEO).

A regulated network business must periodically apply to us for a determination of the revenue it can recover from consumers using its network. Murraylink Transmission Company Pty Ltd (ABN 42 089 875 605) (hereby Murraylink) is due to submit its next revenue proposal by 29 January 2027, for the period 1 July 2028 to 30 June 2033 (2028–33 period).

The first step in the revenue determination process is to publish a Framework and Approach paper (F&A). The F&A sets our approach to key elements of the upcoming determination and facilitates early public consultation before businesses submit their revenue proposals. These elements include:

- which incentive schemes will apply.¹ The purpose of incentive schemes is to provide network service providers with incentives to only incur efficient costs and to meet or exceed service quality targets.
- our approach to setting efficient expenditure allowances² and depreciation for the establishment of the opening regulatory asset base for the upcoming regulatory control period³.

Our proposed approach set out in this F&A is not binding on the AER or Murraylink, meaning that the approach to these elements can be reconsidered, where appropriate.⁴

On 30 October 2025, Murraylink wrote to us, asking us to consider amending or replacing their current F&A in preparation for the 2028–33 period. In November 2025, we published this letter⁵ on our website and sought submissions from stakeholders on whether amendments to, or replacement of, the F&A is necessary or desirable.⁶

Having received no submissions, we considered the information provided by Murraylink and decided to review and amend the F&A to reflect recent changes to relevant incentive schemes and guidelines. Our reasons for commencing this review were set out in our decision published in December 2025.⁷

In April 2026, we released our preliminary position paper on the F&A for Murraylink for the 2028–33 period and invited stakeholders to provide written submissions on our proposed amendments to the F&A.⁸

¹ NER, cl. 6A.10.1A(b)(1), (2), (3), (4) and (7).

² NER, cl. 6A.10.1A(b)(5).

³ NER, cl. 6A.10.1A(b)(6).

⁴ NER, cl. 6A.10.1A(f).

⁵ Murraylink, [Letter to AER on Framework and Approach](#), 30 October 2025.

⁶ AER, [Murraylink - Transmission Determination 2028-33 Consultation on F&A paper](#), 14 November 2025.

⁷ AER, [Murraylink 2028-33 framework and approach - Decision to amend](#), 19 December 2025.

⁸ AER, [Preliminary position paper - Murraylink Framework and Approach paper for 2028-33](#), 10 April 2026.

We received three submissions in response to our preliminary positions for the 2028–33 transmission resets. The Centre for Smart Power and Energy Research submitted a response addressing the F&A for Transgrid, ElectraNet, and Murraylink, while submissions from Transgrid and the Justice and Equity Centre focused on the Transgrid F&A. These submissions are available on our website⁹.

1.1 Next steps

Table 1 outlines the indicative timeline for the other stages of our transmission determination process for Murraylink for the 2028–33 regulatory period. These dates are subject to change.

Table 1 **Indicative timeline for the 2028–33 Murraylink electricity transmission determination**

Milestone	Indicative date
Murraylink submits revenue proposal	29 January 2027
AER publishes issues paper and holds public forum	March/April 2027
Submissions on revenue proposal close	May 2027
AER to publish draft transmission determination	September 2027
AER to hold predetermination conference	October 2027
Murraylink to submit revised revenue proposal to AER	December 2027
Submissions on revised revenue proposal and draft decision close	January 2028
AER to publish final transmission determination	April 2028

⁹ [Submissions, AER's preliminary position paper - Framework and Approach paper for 2028–33 Transgrid, ElectraNet, and Murraylink](#), May 2026.

2 Incentive Schemes

Our F&A for Murraylink must set out our proposed approach to the application of incentive schemes in the 2028–33 period.

Since we published the F&A for the current 2023–28 period, we have finalised reviews into the CESS, EBSS and STPIS, which resulted in a new version of CESS (version 4) and STPIS (version 6). This allows us to apply the latest versions of the incentive schemes as part of our 2028–33 determination. We propose to apply the following incentive schemes in our transmission determination for Murraylink in the 2028–33 period:

- Efficiency benefit sharing scheme (EBSS),¹⁰ which is intended to provide a continuous incentive for transmission businesses to pursue efficiency improvements in operating expenditure (opex) and provide for a fair sharing of the financial savings between businesses and consumers.
- Capital expenditure sharing scheme (CESS),¹¹ which provides financial rewards to transmission network service providers (TNSPs) whose capital expenditure (capex) becomes more efficient and financial penalties for TNSPs whose capex becomes less efficient.
- Service target performance incentive scheme (STPIS),¹² which provides incentives to TNSPs to provide greater transmission network reliability, and improve and maintain the reliability of the elements of the transmission network most important to determining spot prices.¹³

These schemes work together within a revenue determination to provide incentives for network service providers to invest efficiently and operate in the long-term interests of consumers.

The energy transition and the incentive-based framework

We are focused on making regulatory decisions that protect consumers and support an orderly transition to renewable energy. An effective incentive framework is central to this objective because it encourages network service providers to continue to manage costs efficiently and maintain service quality at a time of significant investment, change and uncertainty.

In this context, incentive schemes such as the CESS, EBSS and STPIS continue to play an important role in rewarding efficient cost management and system reliability.

Proposals by network businesses to reduce or narrow the scope of incentive mechanisms will be assessed carefully in the context of our revenue determinations. In particular, we will consider whether a proposed change would weaken incentives for network service providers to act efficiently and prudently, or reduce the benefits to consumers of ongoing cost discipline, innovation and service improvements.

¹⁰ NER, cl. 6A.10.1A(b)(2).

¹¹ NER, cl. 6A.10.1A(b)(3).

¹² NER, cl. 6A.10.1A(b)(1).

¹³ NER, cl. 6A.7.4(b)(1).

Uncertainty associated with the energy transition does not, of itself, justify reducing the scope of incentive mechanisms. The regulatory framework includes mechanisms to address material uncertainty related to unexpected events, including contingent projects, cost pass through applications and, in limited circumstances, reopening provisions.

These mechanisms provide targeted flexibility while preserving incentives for businesses to control costs and deliver efficient outcomes for consumers.

The Australian Energy Market Commission (AEMC) is undertaking a review of electricity network regulation. Package 2 will examine how the framework can best support efficient service delivery and appropriate risk allocation between network businesses and consumers. This includes the consideration of incentive mechanisms. Stakeholders are able to participate and make submissions to this review.¹⁴

2.1 Efficiency Benefit Sharing Scheme

Our proposed approach is to apply the EBSS (version 2) to Murraylink for the 2028–33 period. We will set out in our draft and final decisions for the 2028–33 period how the EBSS will apply. This will include which cost categories will be excluded from the EBSS.

The purpose of the EBSS is to provide networks with a continuous incentive to reduce operating expenditure (opex), while ensuring efficiency gains and losses are shared fairly between networks and consumers. Consumers benefit from efficiency gains through lower approved opex forecasts in future regulatory control periods.

We will only apply the EBSS to Murraylink if we are satisfied the scheme will provide a fair sharing of efficiency gains and losses. In practice, this depends on whether we expect to use Murraylink’s revealed costs from the 2028–33 period to forecast opex for the 2033–38 period. When we use a revealed cost forecasting approach, the EBSS helps ensure that efficiency improvements are shared. Murraylink will retain efficiency gains for six years, while consumers benefit later through a lower approved opex forecast.

We would not apply the EBSS if we expect we will not use revealed costs to forecast opex for the period commencing in 2033. In that case, Murraylink could receive an EBSS reward for reducing expenditure, while consumers may not receive the corresponding benefit through lower future opex forecasts. That would be inconsistent with the National Electricity Rules requirement that the EBSS must provide for fair sharing of efficiency gains and losses. It is for this reason that we exclude cost categories not forecast on a revealed costs basis from the EBSS.

2.2 Capital Expenditure Sharing Scheme

Our proposed approach is that Murraylink will be subject to the updated Capital Expenditure Incentive Guideline (version 4) for the 2028–33 period. This includes:

- updates following our 2023 review to:
 - apply a lower sharing factor of 20% to any underspend amount greater than 10% of the approved forecast capital expenditure allowance

¹⁴ AEMC, [Electricity Network Regulation Review \(Package 2\)](#), 25 June 2026.

- introduce new transparency measures which require TNSPs to explain variations between capital expenditure forecasts and outcomes
- provide further guidance and flexibility on the application of the CESS to large transmission projects.
- updates following our 2025 review to:
 - incorporate AEMC’s amending rule on managing Integrated System Plan (ISP) project uncertainty, which requires us to carry out a separate targeted ex-post review for ISP projects;
 - allow for exclusions to the CESS in certain circumstances.
 - allow for adjustments to the CESS to accommodate abandoned ISP projects.

These updates to the application of the CESS are designed to improve the incentive for TNSPs to pursue efficient improvements to the benefit of network users. We consider the updates to the CESS would provide the flexibility required in applying the CESS to Murraylink’s circumstances for the 2028–33 period.

2.2.1 Stakeholder feedback

The Centre for Smart Power and Energy Research (CSPER) supported applying the CESS as set out in our 2025 capex incentive guidelines (version 4), but noted that capex efficiency assessments can be sensitive to planning outputs that may embed simplified inverter-performance assumptions. The CSPER recommended condition-aware sensitivity testing for major ISP and REZ-related projects.¹⁵ The CSPER may also wish to raise these matters through the AEMC’s electricity network regulation review, which provides a broader opportunity to consider how the regulatory framework can respond to emerging network operability and performance issues.

2.3 Service Target Performance Incentive Scheme

Our proposed approach is that we will apply version 6 of the STPIS to Murraylink for the 2028–33 regulatory control period. Version 6 of the STPIS was published on 17 April 2025.¹⁶

Under version 6 of the STPIS, only the Service Component (Unplanned outage circuit event rate (Parameter 1, with modifications) and Proper operation of equipment (Parameter 4) applies to Murraylink.

Under version 6, the Market Impact Component (MIC) (which applies in version 5 of the STPIS) has been suspended. We are undertaking a process to explore alternatives to the MIC through a working group comprising industry stakeholders and market bodies. The working group will report its findings to the AER for our consideration by late 2026.

¹⁵ Centre for Smart Power and Energy Research, [Submission - AER’s preliminary position papers - Transgrid, ElectraNet and Murraylink Framework and Approach papers for 2028–33](#), May 2026, p. 2.

¹⁶ On 13 November 2025, the AEMC began consulting on a Rule change proposed by the AER entitled *Early application of a revised transmission Service Target Performance Incentive Scheme*. The Rule change request would allow the AER to reopen a TNSP’s revenue determination for the purpose of applying version 6 of the STPIS before the end of a TNSP’s regulatory control period. The AEMC published final Rule on 14 May 2026.

2.3.1 Stakeholder feedback

The CSPER supported applying STPIS (version 6), but considered that reliability incentives should increasingly recognise inverter-based operability constraints (not only outage-based measures). The CSPER suggested that future STPIS reviews consider metrics and visibility for system strength, voltage support and constrained-operation performance.¹⁷

We welcome CSPER's recommendations and the constructive contribution to the discussion about how incentive frameworks can support effective network performance through the energy transition. We note that we have recently completed a comprehensive review of the STPIS and are not considering another STPIS review in the short term. However, CSPER may wish to raise these matters through the AEMC's electricity network regulation review, which provides a broader opportunity to consider how the regulatory framework can respond to emerging network operability and performance issues.

2.4 Demand Management Innovation Allowance Mechanism

Our proposed approach is to not apply the Demand Management Innovation Allowance Mechanism (DMIAM) to Murraylink for the 2028–33 regulatory control period due to its size and operational framework.

In our 2023–28 revenue determination for Murraylink, we did not apply the DMIAM to Murraylink as our draft decision concluded that, given the existing operational framework, there would be very limited utility to energy users if Murraylink were to invest in researching demand management opportunities through the DMIAM.¹⁸ In its 30 October 2025 letter¹⁹ to the AER, Murraylink agreed with our view and requested that the F&A reflect that the DMIAM is not applicable to Murraylink for the 2028–33 period.

2.5 Small-scale Incentive Scheme

The NER provide that we may develop a Small-scale Incentive Scheme (SSIS)²⁰ for TNSPs to test innovative incentive approaches that drive further improvements in network service delivery for the long-term benefit of electricity consumers.

There is currently no SSIS applicable to TNSPs. In its 30 October 2025 letter to the AER, Murraylink noted that a SSIS was not implemented during the 2023–28 regulatory period and it does not anticipate that a SSIS will be applied in the 2028–33 regulatory period.²¹

We do not propose to apply a SSIS to Murraylink for the 2028–33 regulatory control period.

¹⁷ Centre for Smart Power and Energy Research, [Submission - AER's preliminary position papers - Transgrid, ElectraNet and Murraylink Framework and Approach papers for 2028–33](#), May 2026, p. 2.

¹⁸ AER, [Murraylink 2023-28 - Draft Decision – Overview](#), September 2022, p. 14.

¹⁹ Murraylink, [Letter to AER on Framework and Approach](#), 30 October 2025, p. 2.

²⁰ NER, cl. 6A.7.5.

²¹ Murraylink, [Letter to AER on Framework and Approach](#), 30 October 2025, p. 2.

3 Expenditure forecast assessment guideline

Our proposed approach is that we will apply the updated Expenditure Forecast Assessment Guideline in our assessment of the Murraylink’s proposal for the 2028–33 period.

The Expenditure Forecast Assessment Guideline sets out our expenditure forecast assessment approach.²² It outlines the assessment techniques we will use to assess Murraylink’s proposed expenditure forecasts and the information we require from Murraylink.

The Expenditure Forecast Assessment Guideline provides Murraylink with clarity regarding the information it should include in its revenue proposal. This contributes to an open and transparent process and makes our assessment of expenditure forecasts more predictable.

The Expenditure Forecast Assessment Guideline contains a suite of assessment/analytical tools and techniques that the AER can use to test the prudence and efficiency of a network business’ proposed expenditure. These include:

- models for assessing proposed replacement and augmentation capex
- benchmarking (including broad economic techniques and more specific analysis of expenditure categories)
- methodology, governance and policy reviews
- predictive modelling and trend analysis
- cost benefit analysis and detailed project reviews.²³

We exercise judgement to determine the extent to which we use a particular technique to assess a regulatory proposal. We use the techniques we consider appropriate depending on the specific circumstances of the determination.

On 16 October 2024, we released an update to our Expenditure Forecast Assessment Guidelines (distribution and transmission) to give effect to the new emissions reduction component of the national energy objectives.

Murraylink did not propose changes to the application of the Expenditure Forecast Assessment Guideline. Murraylink acknowledged that, in its 2023–28 F&A decision, the AER adopted a slightly different approach for Murraylink compared to other TNSPs, reflecting Murraylink’s distinct technology, size, and role within the transmission sector.²⁴

3.1 Stakeholder feedback

The CSPER, in its submission supported the application of the updated Expenditure Assessment Guideline. The CSPER noted that the AER could better use the modelling, benchmarking, cost-benefit and project review tools to test key inverter-related assumptions.

²² AER, [Expenditure forecast assessment guideline](#), 29 November 2013 (updated 16 October 2024).

²³ AER, [Explanatory statement - expenditure forecast assessment guideline](#), 29 November 2013.

²⁴ Murraylink, [Letter to AER on Framework and Approach](#), 30 October 2025, p. 2.

The CSPER suggests that simplified assumptions in the assessment of expenditure proposals could lead to systematically biased forecasts of energy, utilisation and congestion and a risk of over- or under-estimating network needs.

4 Depreciation to establish the opening RAB

Our F&A for Murraylink must set out whether depreciation for establishing the opening regulatory asset base (RAB) for the 2033–38 regulatory control period, commencing 1 July 2033, is to be based on actual or forecast capital expenditure.²⁵

Our proposed approach, consistent with the Capital Expenditure Incentive Guideline,²⁶ is to continue using depreciation based on forecast capital expenditure for establishing the opening regulatory asset base at the commencement of the 2033–38 regulatory control period. This is also consistent with the approach adopted for Murraylink’s 2023–28 determination.²⁷ Murraylink indicated that it will not seek to depart from this approach.²⁸

As part of the roll forward methodology, when the RAB is updated from forecast capex to actual capex at the end of a regulatory control period, it is also adjusted for depreciation. The depreciation we use to roll forward the RAB can be based on either:

- actual capex commissioned during the regulatory control period (actual depreciation). We roll forward the RAB based on actual capex less the depreciation on the actual capex; or
- the capex allowance forecast at the start of the regulatory control period (forecast depreciation). We roll forward the RAB based on actual capex less the depreciation on the forecast capex approved for the regulatory control period.

Murraylink’s 2023–28 determination is subject to the CESS. As set out in section 2.2 above, we propose to continue to apply the CESS in the 2028–33 regulatory control period. We consider that the incentive provided by the application of the CESS, in combination with the use of forecast depreciation and our other ex-post capex measures, will be sufficient to achieve the capex incentive objective.

In its response to our preliminary position paper, the CSPER expressed no objections to our approach regarding forecast depreciation and the opening RAB.

²⁵ NER, cl. 6A.10.1A(b)(6).

²⁶ AER, [Capital expenditure incentive guideline](#), July 2024, pp. 15–16.

²⁷ AER, [Murraylink 2023–28 - Framework and approach](#), July 2021, pp. 20–22.

²⁸ Murraylink, [Letter to AER on Framework and Approach](#), 30 October 2025, p. 2.

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
capex	capital expenditure
CESS	capital expenditure sharing scheme
CSPER	Centre for Smart Power and Energy Research
DMIAM	demand management innovation allowance mechanism
EBSS	efficiency benefit sharing scheme
F&A	framework and approach paper
ISP	Integrated System Plan
MIC	market impact component
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
opex	operating expenditure
RAB	regulatory asset base
REZ	Renewable Energy Zone
SSIS	Small-scale incentive scheme
STPIS	service target performance incentive scheme
TNSP	transmission network service provider