AUSTRALIAN ENERGY REGULATOR

Draft Decision on AusNet Services 2027–32 Electricity Transmission Revenue Proposal

Predetermination Conference

22 July 2026

AUSTRALIAN ENERGY REGULATOR

Acknowledgement of Country

Jarrod Ball

AER Board Member

AUSTRALIAN ENERGY REGULATOR

AER welcome and introductions

Jarrod Ball

AER Board Member

Agenda

Topic	Speaker	Duration
Introductions & the context for our draft decision	Jarrod Ball AER Board member	10 min
Our draft decision & areas we would like stakeholder feedback	Ben Stonehouse GM, Network Regulation, AER	15 min
The revised proposal	Jarrod Ball AER Board member	2 min
AusNet – next steps	Tom Hallam GM, AusNet	10 min
Facilitated discussion	Jarrod Ball AER Board member	20 min
Closing remarks and next steps	Jarrod Ball AER Board member	3 min

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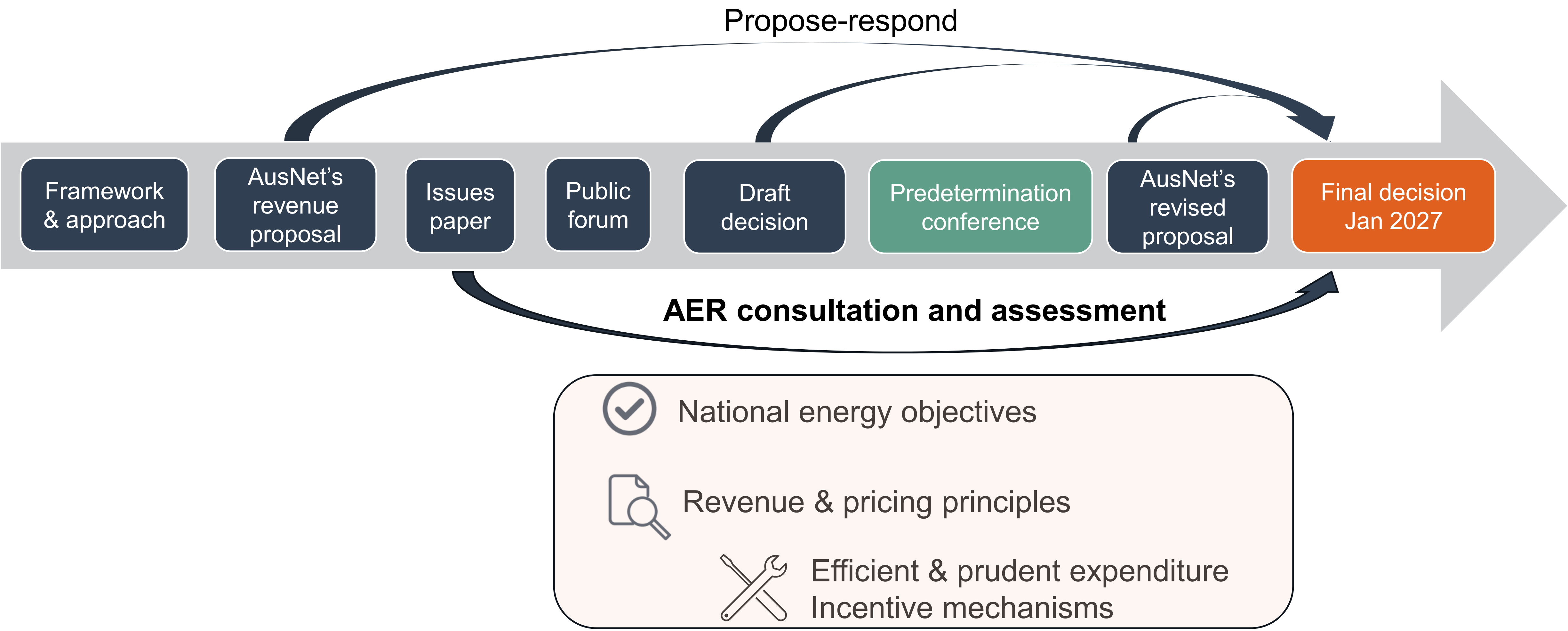
Context for draft decision

Jarrod Ball
AER Board Member

Our regulatory framework



The transmission system in Victoria

Victoria’s declared shared network

AusNet

Operates, maintains & replaces the existing network

VicGrid

Plans, develops & expands the network

Developments in Victoria’s transmission system

- Diversification in the location of generation
- Changing demand and supply patterns
- System strength and climate resilience

Stakeholder feedback

Issue	Summary
Affordability and bill impacts	The proposed expenditure, alongside state and national transmission programs, is expected to increase transmission charges and adds to affordability pressures for consumers.
Capital expenditure scale and timing	Stakeholders want the scale, timing and alternatives for capex programs to be rigorously tested, with expenditure limited to prudent, efficient and necessary investments.
Deliverability risk	Labour constraints, supply-chain pressures and interaction with broader Victorian transmission programs create uncertainty about whether projects can be delivered within the 2027–32 period.
Incentive scheme interaction	TSAP and CCP34 concerned that the capital expenditure sharing scheme could reward underspend caused by external constraints rather than genuine efficiency gains.
Compliance and resilience	Stakeholders generally support compliance, cyber, physical security and resilience expenditure where it is clearly justified, proportionate and linked to consumer value.

Key draft decision outcomes

- Our draft decision balances investment needs with affordability
- We accept the need for an uplift in expenditure, but not the full amount proposed
- Opex step changes are reduced where they are not sufficiently justified
- We have a high bar for additional nominated cost pass throughs to maintain price stability

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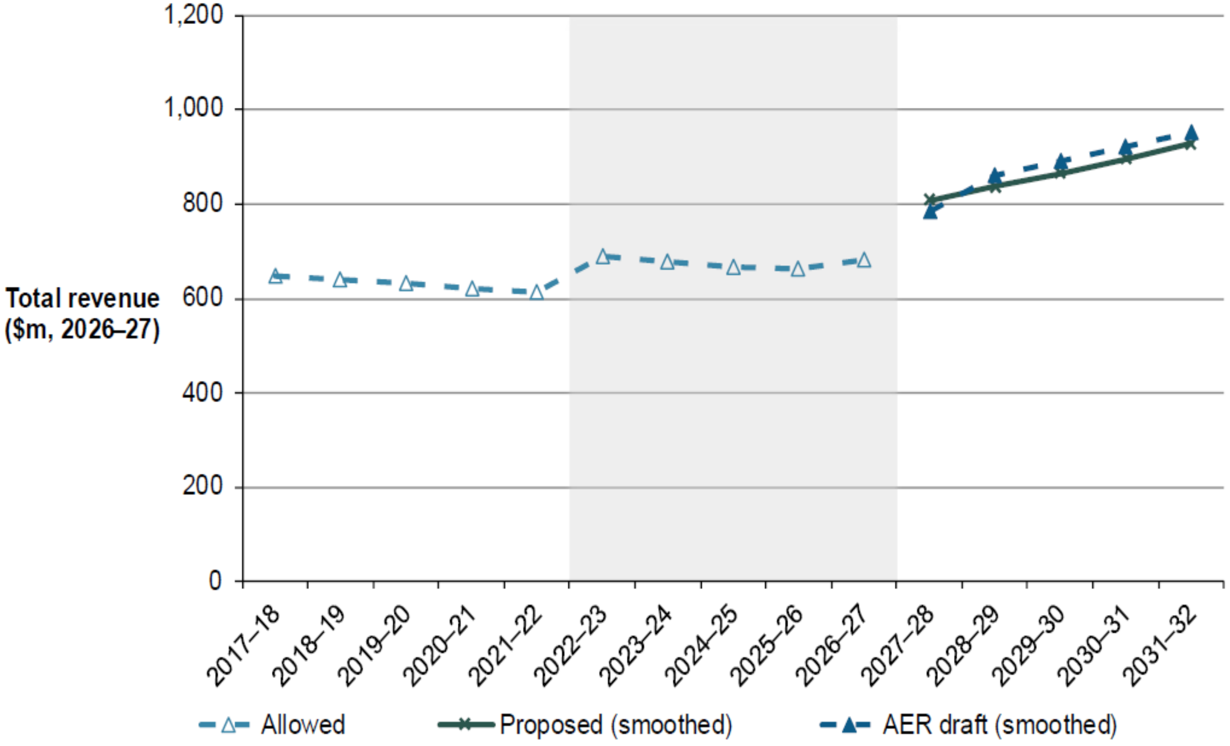
Draft decision

Ben Stonehouse
GM, Network Regulation, AER

Revenue

Changes in regulated revenue over time



Source: AER analysis.

Draft decision forecast (2027–32)

	Revenue ($nominal)
Maximum allowed revenue (MAR)	**$4,754.4 million** (smoothed) **1.2%** ↑ from AusNet's proposal **62%** ↑ from current (2022–27) allowance
Drivers of MAR increase from 2022–27	➢ **59%** ↑ due to higher interest rates and inflation ➢ **41%** ↑ due to higher capital and operating expenditure

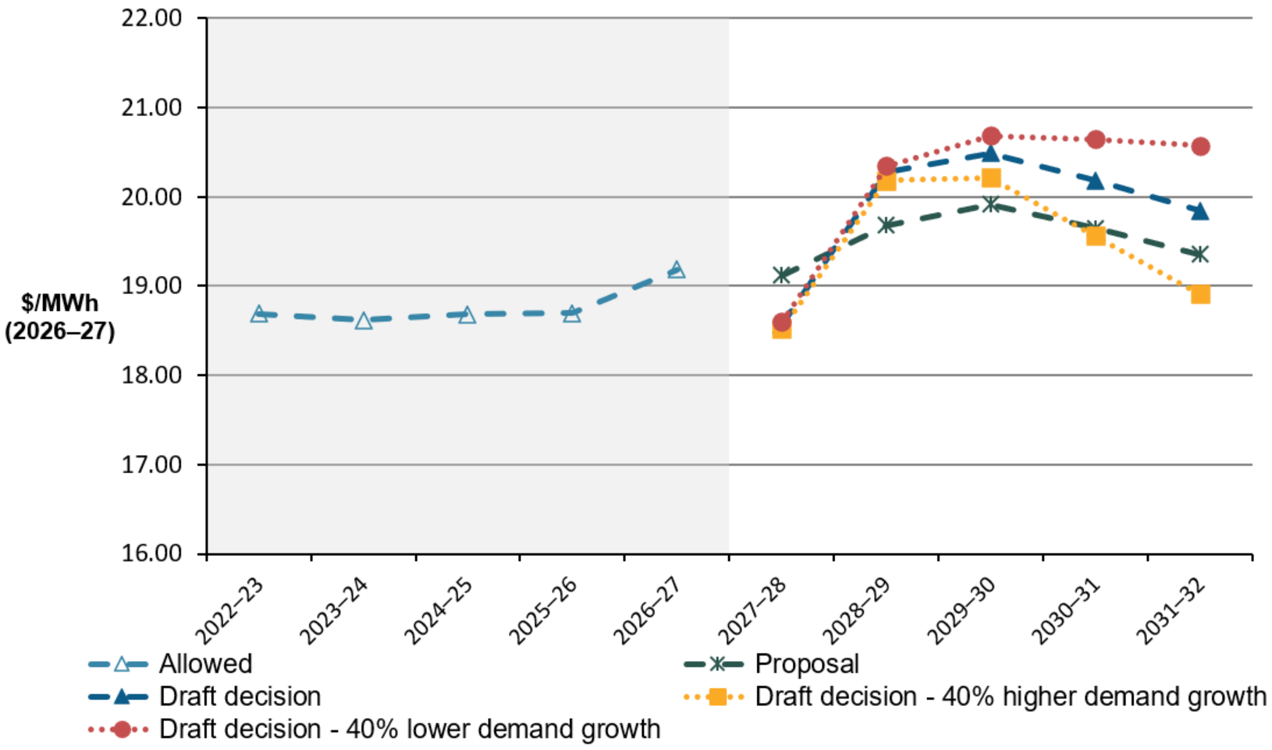
	Revenue ($real)
MAR	**$4,409.4 million (smoothed)** **30.5%** ↑ from current (2022–27) allowance
Drivers	Higher WACC, opening RAB, capital expenditure and operating expenditure

Transmission charges & bill impacts

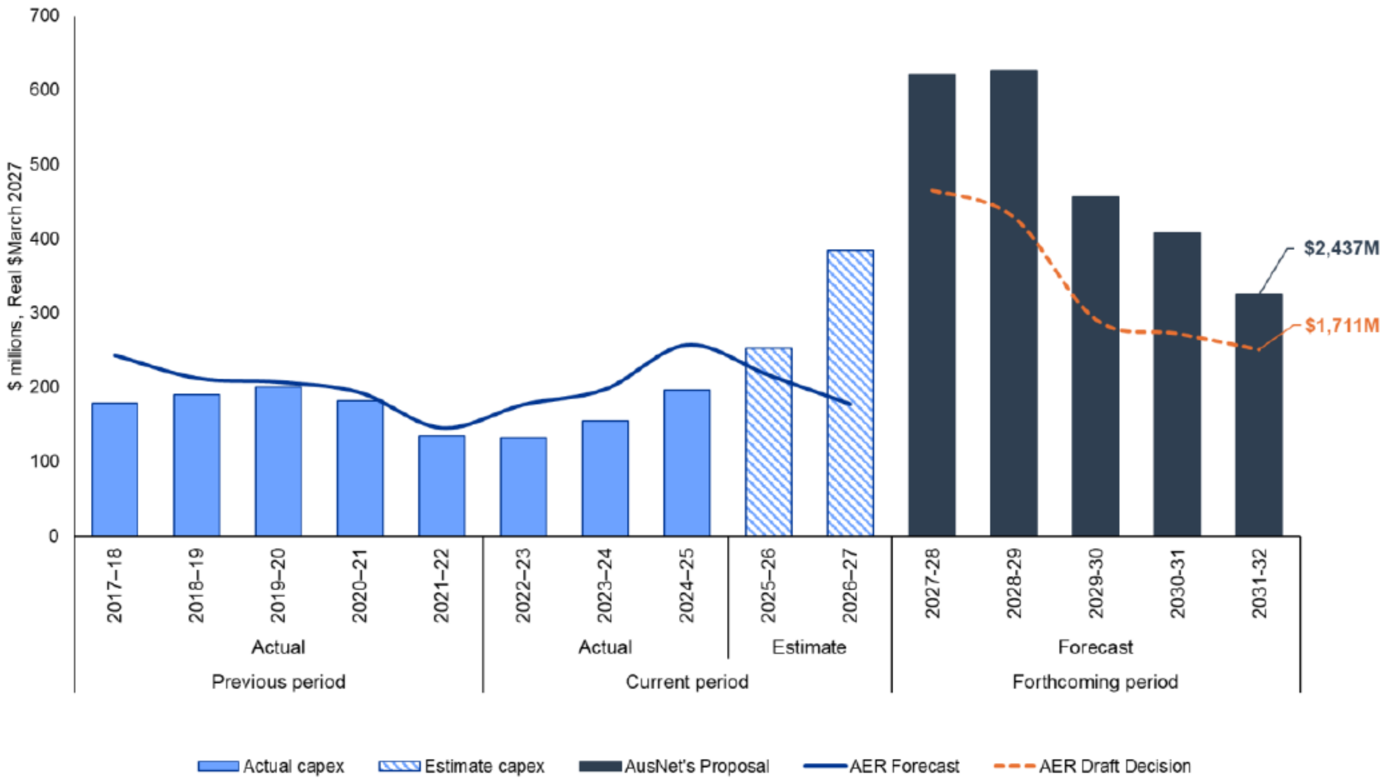
Consumer bills

Residential	**$57 (3.3%)** ↑ by 2031–32 **$11** ↑ **per annum** (average over 2027–32)
Small business	**$144 (3.7%)** ↑ by 2031–32 **$29** ↑ **per annum** (average over 2027–32)

Transmission charges



AusNet’s capital expenditure overtime ($ million, 2026–27)



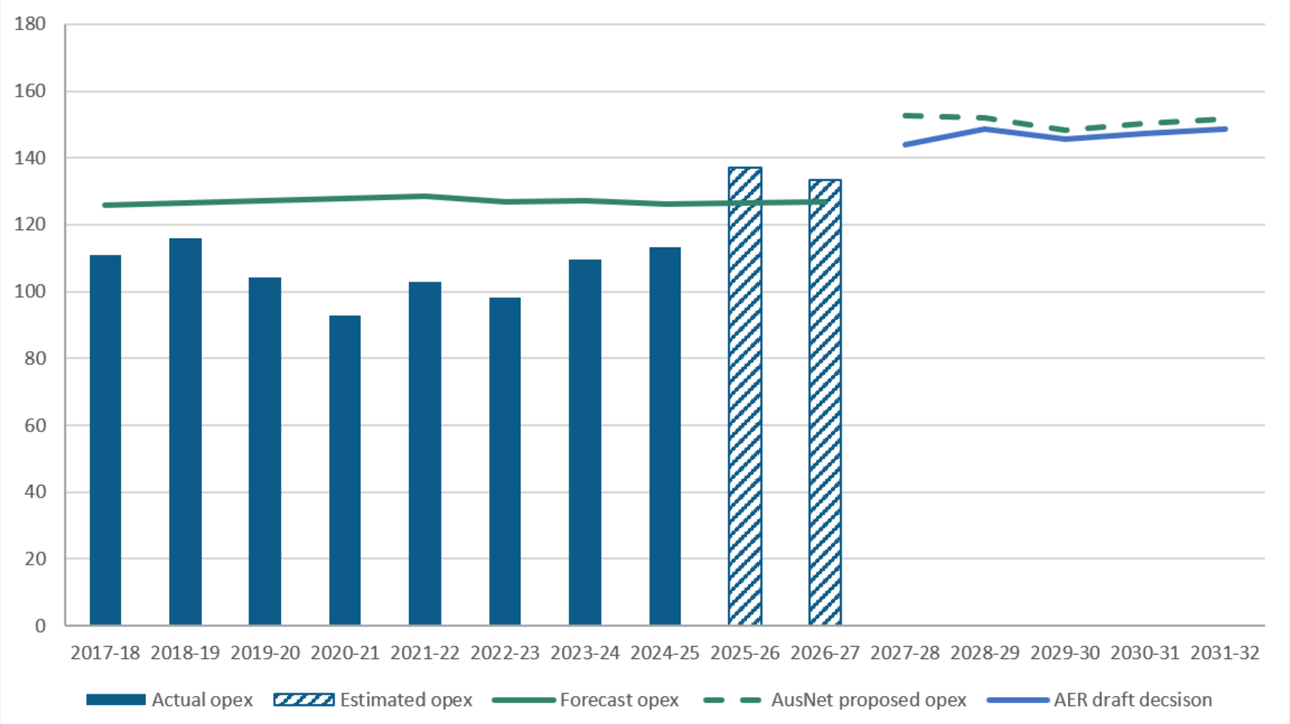
Source: AER RIN Database and AER Analysis.
Note: Nominal figures converted to real dollars 2026–27.

Key capex figures ($ million, 2026–27)

Category	Draft decision forecast (2027–32)	Difference from AusNet’s proposal
Total capex	**$1,710.9 M**	**↓ $726.2 M (29.8%)**
Major station projects	$834.7 M	↓ 25.6%
Asset replacement	$467.4 M	↓ 28.6%
Compliance & resilience	$93.5 M	↓ 62.6%
ICT and Digitalisation	$208.8 M	↓ 18.5%

AusNet's operating expenditure overtime ($ million, 2026–27)

(excluding easement land tax)



Source: AusNet Services, *TRR 2027–32 Operating Expenditure Model*, November 2025; AER PTRM and opex allowance data for previous AusNet Services transmission determinations; AER analysis.
Note: Numbers may not add up to totals due to rounding. Values are in $2026–27 unless otherwise stated.

Key opex figures ($ million, 2026–27)

	Draft decision forecast (2027–32)
Total opex *(excluding easement land tax)*	**$734.6 M** **$20.1 M (2.7%)** ↓ than AusNet's proposal
Key drivers of decrease	➢ **Reduced digital step change** by $20.6 M ➢ **Excluded proposed landholder engagement step change** of $6.2 M

Nominated cost pass throughs

Decision	Nominated event(s)	Basis for decision
Accepted	Insurance coverage Insurer credit risk Terrorism Natural disaster Victorian Minister’s order events	Not covered by existing pass-through categories Clearly identifiable and outside reasonable control Could not reasonably prevent, mitigate or insure against them
Not accepted	VicGrid Direction Event	Existing National Electricity Rules cost recovery mechanisms already apply Would circumvent established arrangements and create uncertainty Risk of double counting where AusNet is already compensated through VicGrid charges

Areas where we would like stakeholder feedback

- Affordability and customer bill impacts
- Scale, scope, timing, and deferral of capital expenditure projects
- Justification of capital expenditure, particularly for compliance, resilience, and cyber security
- Operating expenditure step changes
- Risk allowances and other uncertainty mechanisms

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Expectations for revised proposal

Jarrod Ball
AER Board Member

Expectations for revised proposal

- AusNet's revised proposal should address the key issues identified in our draft decision.
- Any new expenditure proposals should be limited to genuinely necessary matters, such as new obligations or legislative changes that could not reasonably have been reflected in the initial proposal.

AusNet – next steps

Tom Hallam

General Manager, AusNet

Revised Proposal | We remain committed to the projects we proposed, and will provide the AER with additional information to support them

We plan to accept:

- **Removal of the project to procure a spare transformer** which is no longer required following joint planning discussions
- **Removal of the landholder engagement step change** – we remain committed to delivering service uplifts, but will not seek additional funding through this reset
- **Removal of delivery partner incentives** from cost estimates
- **Delays to some replacements at Hazelwood**, which formed part of the Loy Yang & Hazelwood project

Our Revised Proposal will focus on:

- Updating **economic analysis for major projects** with new demand forecasts, to demonstrate that they are needed in the 2027-32 period
- Providing **additional information on project cost and scope**
- Providing improved **justification of our Physical Security program**
- Submitting **detailed risk registers** to support our risk allowances
- Adding a **safety lens to assessing tower resilience**
- Demonstrating how **bundling some asset replacements** together leads to more efficient delivery
- Proposing new programs to comply with **new security regulations**

This represents an initial view which is subject to change based on:

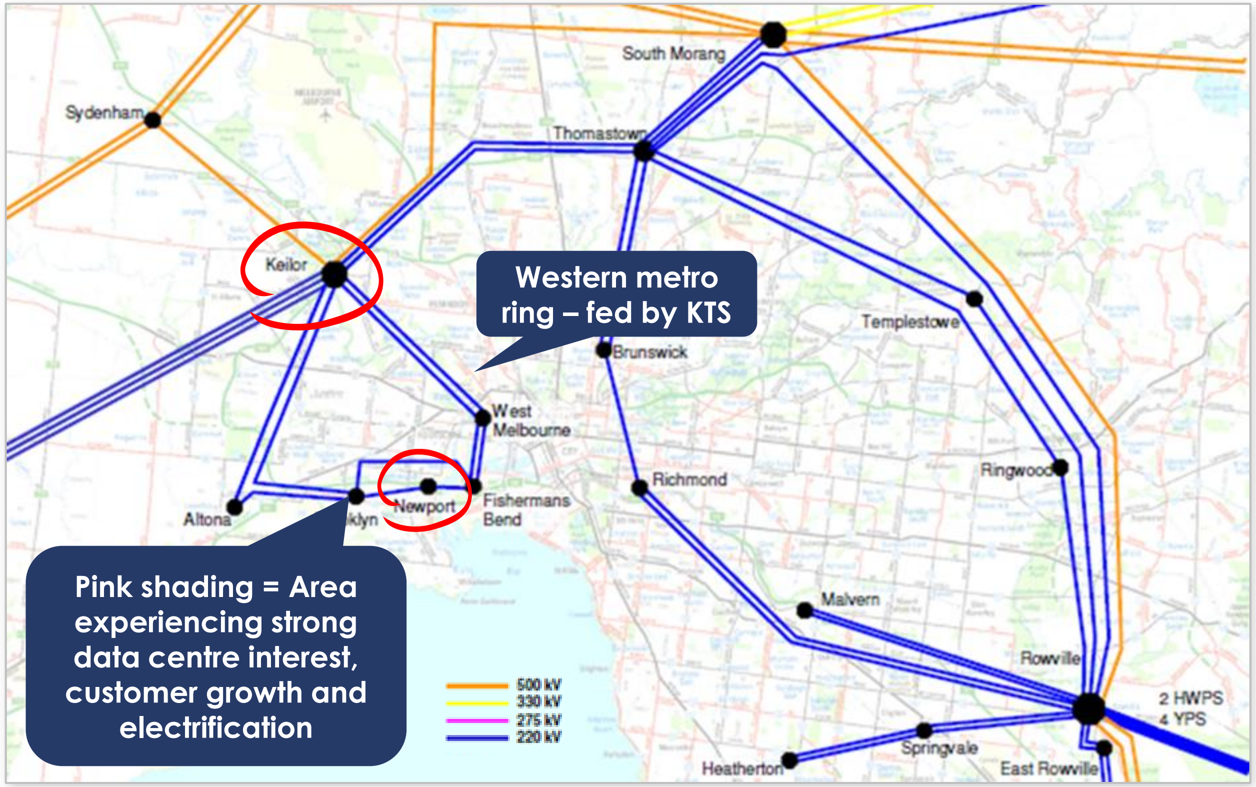
- **Engagement with our Transmission Stakeholder Advisory Panel**
- **Further analysis on asset risk**
- **Updated demand forecasts**

…and more

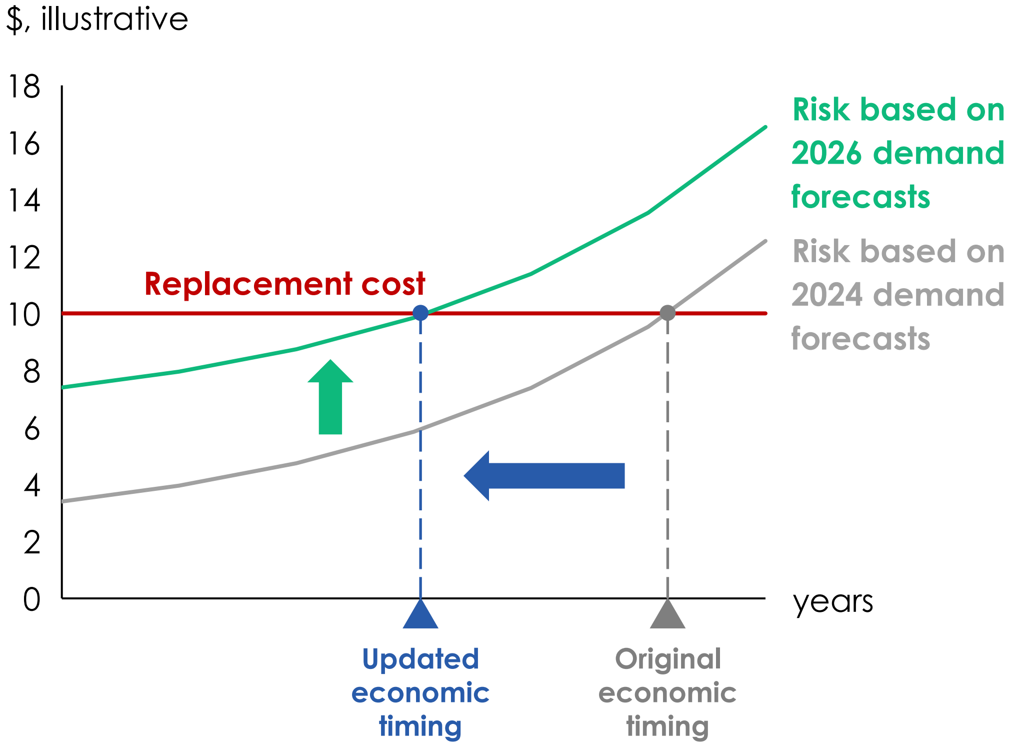
Demand forecasts | We used 2024 forecasts in our Initial Proposal – we expect latest forecasts to be significantly higher

AusNet

We are seeing more demand in the western metro area, increasing the need for projects at Keilor & Newport



Higher demand increases risk, and therefore results in earlier economic timing for replacement



Updated project timing is still being assessed, and will need to consider both economic timing and delivery considerations – earlier economic timing alone does not necessarily mean project will be delivered earlier

Delivery | As we develop our Revised Proposal, our Delivery teams are also continuing to deliver our capital program

- We recognise that our proposal is a step-up in expenditure, and are proceeding with key projects to make sure we are ready to deliver the program in the 2027-32 period
- Our Revised Proposal will reflect the latest "on the ground" information from our recent projects

PHOTOGRAPH: PROGRESS OF MAJOR REBUILD AT SYDENHAM TERMINAL STATION (SYTS)

New items | We have flagged to the AER that we will add a small number of new items, relating to new SOCI CIRMP rules

AusNet

Security of Critical Infrastructure (SOCI) – Enhanced Critical Infrastructure Risk Management Program (CIRMP) Rules 2026

In June 2026, new rules were put into force that introduce additional requirements on critical infrastructure operators

This is the latest in a series of reforms in this area:

- 2018: SOCI Act assented
- 2023: CIRMP Rules released
- 2025: Department of Home Affairs updated Regulatory Posture to move to compliance activities
- 2026: Enhanced CIRMP rules put into force

Enhanced CIRMP rules include additional requirements to manage several categories of risk:

Section 6A	Section 8A	Section 9A	Section 10A	Section 11A
Additional material risks	**Cyber & information security hazards**	**Personnel hazards**	**Supply chain hazards**	**Physical security and natural hazards**

To meet these enhanced requirements, we will be **adding new programs to our Revised Proposal**, in addition to the Physical Security works in our Initial Proposal:

Physical Security program (capex)
Uplift our assets to better protect against physical threats

Digital programs (capex, opex)
Invest in digital systems to manage cyber, personnel, & supply chain risks

Uplift processes (opex)
Set up our teams, processes, training to manage these risks on an ongoing basis

Included in Initial Proposal

New programs to be added to Revised Proposal

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Facilitated discussion

Jarrod Ball
AER Board Member

Next Steps

Milestone	Date
Revenue proposal submitted to the AER	31 October 2025
AER published an issues paper	12 December 2025
AER held a public forum	17 December 2025
Submissions on revenue proposal and issues paper closed	13 February 2026
AER published draft determination decision	30 June 2026
AER holds a pre-determination conference	22 July 2026
Revised revenue proposal to be submitted to the AER	1 September 2026
Submissions on revised revenue proposal and draft decision close	28 September 2026
AER publishes final determination decision	29 January 2027

Submission details

- We invite interested parties to make submissions on the draft decision by **Monday, 28 September 2026**.

- **We encourage early submissions, where possible, to inform our final decision**.

- Submissions should be emailed to AERresets2027-32@aer.gov.au