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Contact Officer: David Monk  
Contact Phone: [REDACTED]

9 July 2026

Jenny Harris  
General Manager Network Regulation  
Powerlink

[REDACTED]  
[REDACTED]

By email: [REDACTED]

Dear Jenny,

**Re: AER Determination – Powerlink — SoCI Physical Security cost pass through application**

I am writing to advise you of the Australian Energy Regulator's (AER) assessment of Powerlink Queensland's cost pass through application relating to physical security obligations under the *Security of Critical Infrastructure Act* (SoCI Act) reforms.

In accordance with clause 6A.7.3 of the National Electricity Rules (NER), the AER has determined that a positive change event has occurred, and that Powerlink may recover a pass through amount of \$3.7 million (\$ nominal) from transmission customers in 2027–28.

The approved eligible pass through amount is \$1.8 million (\$ nominal) lower than that initially proposed by Powerlink, reflecting reductions to proposed costs made by Powerlink in response to the AER's information requests, and the exclusion of certain capital expenditure items from the eligible pass through amount, specifically project delivery management and specialist engineering and design resource costs. We consider these costs form an integral part of the larger overall security uplift program proposed by Powerlink in its initial revenue proposal for the 2027–32 regulatory period. The prudence and efficiency of these costs can be assessed as part of the broader 2027–32 revenue determination process.

Details of the AER's assessment against the relevant factors in the NER are set out in the following attachments. If you have any queries in relation to this matter, please contact David Monk at [REDACTED]

Yours sincerely,

[REDACTED]

Ben Stonehouse  
Acting General Manager  
Network Expenditure

Sent by email on: 09.07.2026

## Attachment A: Reasons for determination

### 1. Occurrence of a regulatory change event

This application is in respect of a regulatory change event under clause 6A.7.3(a1)(1) of the NER. The NER defines a regulatory change pass through event as a change in a regulatory obligation or requirement that:<sup>1</sup>

*(a) falls within no other category of pass through event; and*

*(b) occurs during the course of a regulatory control period; and*

*(c) substantially affects the manner in which the Transmission Network Service Provider provides prescribed transmission services or the Distribution Network Service Provider provides direct control services (as the case requires); and*

*(d) materially increases or materially decreases the costs to the service provider of providing prescribed transmission services or direct control services.*

This event relates to the SoCI Act reforms, which introduce new obligations for responsible entities under the security of critical infrastructure legislative framework and require Powerlink to undertake physical security uplift activities and related changes to comply with those obligations.

We consider the SoCI Act reforms have the effect of substantially varying the manner in which Powerlink provides prescribed transmission services and satisfy the definition of a regulatory change pass through event. This event was not a result of any act or omission by Powerlink.

### 2. Positive change event

We are satisfied that the event meets the definition of a 'positive change event' in the NER, as it results in Powerlink incurring materially<sup>2</sup> higher costs in providing prescribed transmission services, as demonstrated in **Table 1**.

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

Costs	2022–23	2023–24	2024–25	2025–26	2026–27	Total
Approved pass through opex	–	–	–	0.86	2.64	3.50
Approved pass through capex	–	–	–	1.81	9.30	11.11
Total costs	–	–	–	2.67	11.94	14.61
AER approved smoothed revenues	726.48	747.01	773.95	811.72	879.92	3,939.08
Materiality (%)	–	–	–	0.33%	1.36%	n/a

Source: AER analysis; Note: Numbers may not add due to rounding.

### 3. Timing of Powerlink's application

The event date identified by Powerlink is 2 April 2022, being the commencement date of the *Security Legislation Amendment (Critical Infrastructure Protection) Act 2022* (Cth) (SLACIP Act). Under the NER, a TNSP must submit an application within 90 business days of a relevant positive change event or seek an extension within that timeframe.

In correspondence dated 9 August 2022, 19 December 2023 and 18 June 2025, Powerlink notified the AER of a potential cost pass through event arising from the reforms under the SLACIP Act. Powerlink subsequently sought three extensions of time to submit its application.

<sup>1</sup> Cl. 6A.7.3(a1)(1) and as defined in Chapter 10 of the NER (Glossary)

<sup>2</sup> As defined in Chapter 10 of the NER (Glossary).

The AER extended the deadline to 30 September 2025. Powerlink submitted its application on that date, within the timeframe approved by the AER.

#### 4. Assessment of the pass through amounts

In assessing Powerlink’s pass through application, the NER requires the AER to consider a number of factors<sup>3</sup> to determine whether the proposed level of costs is prudent and efficient.

We reviewed the cost estimates submitted by Powerlink, along with the supporting cost pass through documentation, including the cost build-up model. The proposed costs were grouped into three work packages. We sought additional information to clarify the basis for costs, scope and timing of works, the incrementality of labour costs, and the interaction between the proposed pass through costs and security uplift costs included in Powerlink’s 2027–32 revenue proposal.

Our assessment identified that Powerlink’s initial proposed costs included a fixed contingency allowance of 10%. In response to our information requests, Powerlink removed the contingency allowance from its proposed pass through amount as well as an inadvertent capex overheads duplication (\$0.83m) and subsequently submitted updated PTRMs with revised forecast costs and refined cost allocations.

This reduced Powerlink’s proposed incremental costs from \$25.8 million to \$23.9 million (\$2024–25) and reduced its proposed pass through amount from \$5.13 million to \$3.42 million (\$2024–25).

We also assessed the incrementality and interaction of the Work Package 3 capex labour costs with costs proposed in Powerlink’s 2027–32 revenue proposal. We consider the capex labour costs to be preparatory in nature and to form an integral part of the broader physical security uplift program proposed by Powerlink for the 2027–32 period. Given the prudence and efficiency of these costs are closely linked to the scope, timing and delivery of the broader program, we consider they are more appropriately assessed as part of the revenue determination process. Including these costs in the pass through determination could pre-empt the AER’s assessment of the broader security uplift program. Accordingly, we excluded the capex labour costs associated with Work Package 3 from the approved pass through amount.

In summary, our assessment, after adjustments following information requests, found that:

- excluding the capex labour costs for Work Package 3, the proposed pass through amount reflects only the incremental costs incurred as a consequence of the event.
- Powerlink’s decisions and actions in responding to the event were reasonable and likely to result in prudent and efficient costs.
- Powerlink had not taken any action, or failed to take any action, that materially increased the magnitude of the proposed pass through amount.

#### 5. Approved pass through amount

Our determination is to allow for total incremental costs of \$11.1 million (\$ nominal) in capex and \$3.5 million (\$ nominal) in opex. The incremental revenue associated with these costs (the approved pass through amount) is detailed in **Table 2**.

**Table 2: AER approved incremental revenue resulting from the SoCI event (\$ million, nominal)**

\$million (nominal)	2022–23	2023–24	2024–25	2025–26	2026–27	Total
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<sup>3</sup> Cl. 6A.7.3(j) of the NER.

Return on capital	-	-	-	-	0.10	0.10
Return of capital (regulatory depreciation)	-	-	-	-	-0.05	-0.05
Operating expenditure	-	-	-	0.85	2.61	3.46
Revenue adjustments	-	-	-	-	-	-
Net tax allowance	-	-	-	-	-0.10	-0.10
Incremental annual revenue requirement (unsmoothed)	-	-	-	0.85	2.56	3.41

Note: Numbers may not add due to rounding.

## 6. Timing of cost pass through recovery

After adjusting the incremental revenue from the cost pass through for time value of money, our determination is to approve a positive pass through amount of \$3.67 million (\$ nominal), to be recovered in 2027–28, the first year of the next regulatory period (2027–32).<sup>4</sup>

This is estimated to result in an incremental increase of approximately \$1 to the annual bill for both residential customers and small business customers in 2027–28.

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<sup>4</sup> This amount will be recovered through the P-factor in the annual maximum allowed revenue (MAR) formula.

## Attachment B: Requirements for determining a positive change event has occurred

#	Requirement of the NER	AER consideration
1.	Is the pass through event a regulatory change event, service standard event, tax change event, or insurance event? <sup>5</sup>	Yes. We consider the SoCI Act reforms to meet the definition of a regulatory change event.
2.	Is the pass through event a contingent project or a trigger event associated with a contingent project? <sup>6</sup>	No.
3.	Does the pass through relate to any other event specified in Powerlink's 2022–27 transmission determination as a pass through event for that determination? <sup>7</sup>	No.
4.	Was the pass through event a consequence of acts or omissions of Powerlink?	No. There is no evidence that Powerlink's acts or omissions materially contributed to the costs of the event.
5.	Did the pass through event entail Powerlink incurring materially higher costs in providing prescribed transmission services than it would have incurred but for the event? <sup>8</sup>	Yes. The additional costs Powerlink expects to incur as a result of the event are material. The estimated costs of responding to the event in 2026–27 is \$11.9 million (\$ nominal), representing 1.4% of Powerlink's approved smoothed revenue of \$879.9 million for that year.
6.	What is the date on which the positive change event occurred? <sup>9</sup>	2 April 2022 (commencement of the SLACIP Act).
7.	Did Powerlink submit a written statement within 90 business days of the positive change event occurring? <sup>10</sup>	Yes. In response to Powerlink's request, the AER granted three extensions for submitting a cost pass through application, with the final date set for 30 September 2025. Powerlink submitted its application on 30 September 2025.
8.	Did Powerlink specify details of the positive change event, including the date on which the event occurred, in its written statement? <sup>11</sup>	Yes. Powerlink's application (written statement) included details of the positive change event, including the date on which the event occurred.
9.	Did Powerlink specify in its written statement the eligible pass through amount, the proposed positive pass through amount, and the amounts proposed to be recovered from customers in each regulatory year? <sup>12</sup>	Yes. Powerlink's initial application specified \$25.8 million (\$ nominal) as costs (capex and opex) incurred and proposed a positive pass through amount of \$5.13 million (\$ nominal), to be recovered from customers in 2026–27. We determined that the approved pass through amount of \$3.67 million (\$ nominal) is to be recovered in 2027–28, having regard to Powerlink's responses to information requests and the interdependency with its 2027–32 revenue proposal.
10.	Did Powerlink specify in its written statement evidence of the actual and likely increase in costs that occurred solely as a consequence of the positive change event? <sup>13</sup>	Yes. Powerlink's pass through application sets out the costs incurred as a result of the event, as well as how it calculated its proposed pass through amount.
11.	Was there a regulatory information instrument applicable to the pass through application? <sup>14</sup>	No.

<sup>5</sup> NER, cl. 6A.7.3(a1)(1) through 6A.7.3 (a1)(6); and chapter 10.

<sup>6</sup> See the definition of "positive change event" in chapter 10 of the NER.

<sup>7</sup> NER, cl. 6A.7.3(a1)(5)

<sup>8</sup> That is, does it meet the definition of a "positive change event" as defined in chapter 10 of the Rules.

<sup>9</sup> NER, cl. 6A.7.3(c)(2).

<sup>10</sup> NER, cl. 6A.7.3(c).

<sup>11</sup> NER, cl. 6A.7.3 (c)(1) and 6A.7.3(c)(2).

<sup>12</sup> NER, cl. 6A.7.3(c)(3), 6A.7.3(c)(4), and 6A.7.3(c)(5).

<sup>13</sup> NER, cl. 6A.7.3 (c)(6).

<sup>14</sup> NER, cl. 6A.7.3(c)(7).

## Attachment C: Relevant factors to consider under cl. 6A.7.3 (j) of the NER

#	Requirement of the NER	AER consideration
1.	We must take into account the matters and proposals set out in Powerlink's written statement. <sup>15</sup>	This decision sets out how we have considered the matters and proposals in Powerlink's pass through application (written statement).
2.	We must take into account the incremental increase in costs in providing prescribed transmission services resulting from the pass through event. <sup>16</sup>	We are satisfied that the expenses incurred, and to be incurred, by Powerlink in providing prescribed transmission services in response to the event are incremental to its existing costs.
3.	We must take into account the efficiency of Powerlink's decisions and actions in relation to the risk of the event. <sup>17</sup>	We are satisfied the decisions and actions taken in responding to the event were efficient, and the scope of works undertaken is reasonable in the circumstances.
4.	We must take into account the time cost of money. <sup>18</sup>	We have had regard to the time value of money in accounting for the recovery of the pass through amount. We have used the nominal weighted average cost of capital of 6.29%, as estimated by Powerlink in its 2027–32 transmission revenue proposal, to calculate the approved 2027–28 pass through amount in nominal terms.
5.	We must take into account the need to ensure that the pass through amount reflects only costs incurred solely as a consequence of the event. <sup>19</sup>	We are satisfied the costs included in our approved pass through amount will be incurred due to the regulatory obligation embodied under the Security of Critical Infrastructure legislative framework requiring Powerlink to undertake physical security uplift activities and related changes to comply with those obligations.
6.	We must take into account whether the costs of the event have already been factored into Powerlink's annual revenue requirement for the current regulatory control period or will be factored into annual revenue for the next regulatory control period. <sup>20</sup>	We do not consider that the costs included in our approved cost pass amount have been included in Powerlink's annual revenue requirement for either the current or the following regulatory control periods.
7.	We must take into account the extent to which Powerlink's costs have already been funded by previous pass through determinations. <sup>21</sup>	We do not consider that any of the proposed costs have been the subject of a previous pass through determination.

<sup>15</sup> NER, cl. 6A.7.3(j)(1).

<sup>16</sup> NER, cl. 6A.7.3(j)(2).

<sup>17</sup> NER, cl. 6A.7.3(j)(3).

<sup>18</sup> NER, cl. 6A.7.3(j)(4).

<sup>19</sup> NER, cl. 6A.7.3(j)(5).

<sup>20</sup> NER, cl. 6A.7.3(j)(6A).

<sup>21</sup> NER, cl. 6A.7.3(j)(6B).