

AusNet | Keilor Terminal Station (KTS) A Transformer Replacement

Independent Peer Review of the Project Estimate and Risk Allowances

Revision 1

August 2026



AusNet |

KTS A Transformer Replacement

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Contents

- 1. EXECUTIVE SUMMARY1
- 2. SCOPE OF REVIEW2
- 3. ESTIMATE REVIEW2
 - 3.1 Major Cost Drivers2
 - 3.2 Owner Costs and Project Allowances2
- 4. RISK & CONTINGENCY3
- 5. CONCLUSION.....3

Tables & Figures

- Table 1 Estimate Summary1
- Table 2 Quantitative Risk Assessment Results3

1. EXECUTIVE SUMMARY

Arcadis was engaged by AusNet to undertake an independent peer review of the Keilor Terminal Station (KTS) A Transformer Replacement project budget, including the supporting cost estimate and quantitative risk assessment. The review was undertaken to support AusNet's internal governance and investment decision-making processes.

Item	Item	Value
1.	Design & Studies/Assessment	\$13,454,364
2.	Internal Labour	\$21,809,380
3.	Materials (AusNet Free Issue Materials)	\$102,989,436
4.	Plant & Equipment	\$2,773,609
5.	Contracts	\$160,384,502
6.	Risk - P50	\$22,766,642
7.	Project Direct Expenditure - P50	\$324,177,931
8.	Overheads	\$15,370,017
9.	Finance Charges (IDC)	\$20,485,822
10.	Project Direct Expenditure	\$360,033,770
11.	Management Reserve (P90 - P50)	\$24,102,620
12.	Total Expenditure	\$384,136,391

Table 1 Estimate Summary

Arcadis reviewed the estimate basis, major cost drivers, owner-side allowances and quantitative risk assessment. Particular attention was given to major equipment, main contract works, internal labour, outage-related provisions, OPGW scope development and owner-side project delivery allowances. Based on the information reviewed, Arcadis found the estimate to be generally well supported by contractor pricing, supplier quotations, specialist estimates and owner-developed allowance methodologies. No material concerns were identified that would be expected to significantly alter the overall project budget position.

Arcadis also reviewed the project risk register and quantitative risk assessment. The risk register has been progressively refined during estimate development through consolidation of overlapping risks, removal or reclassification of contractor-controlled risks and separation of latent condition risks into more discrete and measurable events. The principal residual uncertainties relate to brownfield delivery interfaces, outage and commissioning constraints, OPGW scope development, latent conditions, procurement uncertainty, regulatory-driven scope evolution and concurrent project interfaces.

The quantitative risk assessment results in a P50 contingency allowance of approximately \$22.8 million and a P90 contingency allowance of approximately \$46.9 million. Arcadis considers the contingency position reasonable given the project's stated Class 3 estimate maturity. The contingency allowance has been derived through project-specific risk identification and quantitative assessment rather than application of a predetermined percentage uplift.

Based on the information reviewed, Arcadis considers the project budget and associated contingency allowances to be a reasonable representation of the anticipated cost to deliver the KTS A Transformer Replacement Project.

2. SCOPE OF REVIEW

Arcadis undertook an independent peer review of the submitted project budget and supporting documentation. The review included review of:

- the estimate basis and estimate maturity;
- internal labour and delivery allowances;
- major equipment and procurement allowances;
- contractor pricing and owner-side allowances;
- project risk register and quantitative risk assessment; and

The review was undertaken as a peer review and check-and-challenge assessment. It did not include development of an independent estimate, detailed quantity verification, engineering design validation or audit of supplier quotations.

3. ESTIMATE REVIEW

The KTS A Transformer Replacement estimate has been developed as a Class 3 estimate and incorporates a combination of contractor pricing, supplier quotations, specialist estimates and owner-developed allowances. Arcadis undertook a peer review of the estimate basis, major scope allowances and supporting estimate documentation, with particular focus on material cost drivers, allowance development and remaining sources of cost uncertainty.

3.1 Major Cost Drivers

The largest components of the project budget comprise Major Equipment (AusNet Free Issue Materials), Main Contract Works and Internal Labour, which collectively account for approximately 94% of direct project expenditure.

Major equipment allowances are supported by supplier pricing and include provision for contract price adjustment mechanisms and project spares. The adopted pricing is considered appropriate having regard to the stated Class 3 estimate maturity and procurement strategy.

Main Contract Works have been developed primarily from contractor pricing. Arcadis reviewed the principal packages, including civil works, transmission line works, primary plant, secondary systems, testing and commissioning and OPGW-related works. While some uncertainty remains in relation to the ultimate extent of OPGW strengthening, outage requirements and brownfield interfaces, appropriate allowance has generally been incorporated within the estimate and risk assessment process.

Internal labour allowances were derived through a bottom-up resource model incorporating project management, engineering, commissioning, construction management, project controls, procurement and governance functions across the project lifecycle. Resource levels were reviewed against the complexity and duration of the project and were found to be broadly consistent with the level of effort expected for delivery of a major brownfield transmission project with significant operational interfaces.

Arcadis identified no material concerns regarding the principal project cost drivers and considers the overall allocation of expenditure broadly aligned with the proposed delivery strategy and project scope.

3.2 Owner Costs and Project Allowances

The estimate includes owner-side allowances covering design and studies, project management, outage management, insurance, overheads and financing costs. These allowances have generally been developed using project-specific assumptions, specialist inputs and AusNet corporate methodologies.

Arcadis reviewed the basis of these allowances at a high level. While several items remain dependent on future investigations, design development and delivery assumptions, the allowances are generally considered appropriate for the stated Class 3 estimate maturity. Given the nature of these allowances, the review focused on overall reasonableness rather than detailed validation of individual allowance build-ups.

Overheads and financing costs have been adopted based on prescribed corporate methodologies and were not independently recalculated as part of this review. These allowances are considered owner-specific funding provisions rather than project-delivery costs and have been accepted for the purposes of the review.

Based on the information reviewed, Arcadis identified no material issues that would be expected to significantly alter the overall project budget position. Residual uncertainty primarily relates to brownfield delivery conditions, outage constraints, OPGW scope development, regulatory interfaces and latent conditions, which are addressed through the project contingency framework discussed in Section 4.

4. RISK & CONTINGENCY

Arcadis reviewed the project risk register, risk quantification methodology and resulting contingency model. The risk register has been progressively refined during estimate development, with overlapping risks consolidated, contractor-controlled risks removed or reclassified and latent condition risks separated into more discrete events. The principal residual risk drivers relate to brownfield delivery interfaces, outage and commissioning constraints, OPGW scope development, latent conditions, procurement uncertainty, regulatory-driven scope evolution and interfaces with concurrent projects at KTS. Arcadis reviewed the major quantitative contingency contributors and the assumptions adopted in the model. While several individual assumptions were refined during the review process, no material concerns were identified regarding the overall contingency position.

The quantitative risk assessment results in the following:

Metric	Value
P50	\$22,766,642
P90	\$46,869,262
P90 as % of Direct Cost	15.5%

Table 2 Quantitative Risk Assessment Results

Arcadis considers the overall contingency position reasonable having regard to the estimate's stated Class 3 maturity. The contingency allowance has been derived through project-specific risk identification and quantitative assessment rather than the application of a predetermined percentage allowance and is therefore considered representative of the project's specific uncertainty profile.

5. CONCLUSION

Arcadis undertook an independent peer review of the KTS A Transformer Replacement project estimate, supporting estimate documentation and quantitative risk assessment. The review included assessment of estimate assumptions, major cost drivers, owner-side allowances, procurement strategies, schedule assumptions and contingency provisions.

Based on the information reviewed, Arcadis considers the project estimate to be appropriately developed for its stated Class 3 maturity and generally supported by contractor pricing, supplier quotations, specialist estimates and owner-developed allowances. No material concerns were identified that would be expected to significantly alter the overall project budget position.

Arcadis also reviewed the project risk register and contingency methodology. The resulting contingency allowances are considered reasonable having regard to the brownfield delivery environment, outage and

commissioning constraints, OPGW development risks, latent condition exposure, procurement uncertainty and concurrent project interfaces.

Based on the information reviewed, Arcadis considers the project budget and associated contingency allowances to be suitable for AusNet's current governance and investment decision-making purposes.

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