

Draft Decision

Powerlink electricity transmission determination 2027 to 2032

(1 July 2027 to 30 June 2032)

Attachment 5 – Efficiency benefit sharing scheme

September 2026

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5 Efficiency benefit sharing scheme

The efficiency benefit sharing scheme (EBSS) is intended to provide a continuous incentive for service providers to pursue efficiency improvements in operating expenditure (opex) and provide for a fair sharing of these between service providers and consumers.¹ Consumers benefit from improved efficiencies through lower regulated prices.

This attachment sets out our draft decision on the EBSS carryover amounts Powerlink accrued over the 2022–27 regulatory control period, and how we will apply the EBSS over the 2027–32 regulatory control period.

5.1 Draft decision

Our draft decision is to include EBSS carryover amounts totalling \$27.5 million² from the application of the EBSS in the 2022–27 regulatory control period.³ This is \$252.5 million more than Powerlink’s proposed carryover amount of –\$225.0 million.⁴ This difference reflects the following adjustments we have made in our draft decision, including:

- using 2023–24 as the base year on which our opex forecast is based, rather than Powerlink’s proposed base year of 2025–26
- updating actual inflation for 2025–26 and forecast inflation for 2026–27.

These updates are further discussed in section 5.4.1.

In our final decision, we will also update our EBSS carryover calculations to reflect actual opex for 2025–26, and update for the most recent inflation data. Our draft decision uses an estimate of 2025–26 opex included in Powerlink’s proposal because actual data for 2025–26 was not available at the time the proposal was submitted.

We set out our draft decision on the EBSS carryover amounts Powerlink accrued during the 2022–27 regulatory control period in Table 5.1, along with Powerlink’s proposal and the difference.

¹ AER, *Explanatory statement – efficiency benefit sharing scheme*, November 2013, p 5.

² All dollars in this document are in \$2026–27 terms unless otherwise stated.

³ NER, cl. 6A.5.4(a)(5).

⁴ Powerlink, *EBSS Model*, January 2026.

Table 5.1 Draft decision carryover amounts (\$ million, 2026–27)

	2027–28	2028–29	2029–30	2030–31	2031–32	Total
Powerlink’s proposal	–79.8	–74.2	–50.3	–20.8	–	–225.0
AER draft decision	–29.6	–23.9	–	29.6	51.4	27.5
Difference (\$)	50.3	50.3	50.3	50.3	51.4	252.5

Source: Powerlink, *2027–32 EBSS Model*, January 2026; AER analysis.

Notes: Numbers may not add up to totals due to rounding. Values of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

Our draft decision is to continue to apply version 2 of the EBSS to Powerlink in the 2027–32 regulatory control period.⁵

Consistent with Powerlink’s proposal, we will exclude the following cost categories from the scheme:

- debt raising costs
- network support costs
- self-insurance adjustments
- Network Capability Incentive Parameter Action Plan (NCIPAP) costs.

We will also make other adjustments as permitted by the EBSS, such as removing movement in provisions and network support costs related to opex, adjusting forecast and actual opex for inflation, and making any necessary service classification adjustments. We discuss the reasons for our decision on applying the EBSS in the 2027–32 regulatory control period in section 5.4.2.

5.2 Powerlink’s proposal

5.2.1 Carryover amounts from the 2022–27 regulatory control period

Powerlink proposed we include EBSS carryover amounts totalling –\$225.0 million for the 2027–32 regulatory control period from the application of the EBSS in the 2022–27 regulatory control period. Powerlink excluded debt raising costs, network support costs, self-insurance adjustments and NCIPAP costs in calculating its EBSS carryover amounts. Powerlink also adjusted its actual opex to reverse movements in provisions for the period 2020–21 to 2025–26 for the purpose of calculating the EBSS.⁶

⁵ NER, cl. 6A.14.1(1)(iv) and 6A.14.3(d)(2); AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013.

⁶ Powerlink, *EBSS model*, January 2026.

5.2.2 Application of the EBSS for the 2027–32 regulatory control period

Powerlink proposed we apply the EBSS in the 2027–32 regulatory control period. Powerlink supported the adjustments we apply in version 2 of the EBSS, and proposed we exclude the following cost categories in calculating its EBSS carryover amounts:⁷

- debt raising costs
- network support costs (if applicable)
- AEMO participant and cyber security fees.

5.2.3 Stakeholder submissions

Stakeholders generally supported excluding cost categories from the EBSS where those costs are externally driven or not forecast using a revealed-cost base year approach. The Revenue Proposal Reference Group (RPRG) supported Powerlink’s proposed exclusions for debt raising and network support costs, noting these had been approved previously. RPRG also supported the exclusion of AEMO participant fees on the basis that Powerlink has limited influence over those costs.⁸

5.3 Assessment approach

Under the National Electricity Rules (NER), we must determine:

- the revenue increments or decrements for each year of the 2027–32 regulatory control period arising from the application of the EBSS during the 2022–27 regulatory control period.⁹
- how the EBSS will apply to Powerlink in the 2027–32 regulatory control period.¹⁰

The EBSS must provide for a fair sharing of opex efficiency gains and efficiency losses between Powerlink and its network users.¹¹ We must also have regard to the following matters when implementing the EBSS:¹²

- the need to provide Powerlink with a continuous incentive to reduce opex
- the desirability of both rewarding Powerlink for efficiency gains and penalising it for efficiency losses
- any incentives that Powerlink may have to inappropriately capitalise expenditure
- the possible effects of the scheme on incentives for the implementation of non-network alternatives.

⁷ Powerlink, *2027–32 Revenue Proposal*, January 2026, p 140.

⁸ RPRG, *Submission – Powerlink 2027–32 electricity transmission revenue proposal*, May 2026, p 46.

⁹ NER, cl. 6A.5.4(a)(5).

¹⁰ NER, cl. 6A.14.1(1)(iv), 6A.14.3(d)(2).

¹¹ NER, cl. 6A.6.5(a).

¹² NER, cl. 6A.6.5(b).

5.3.1 Interrelationships

The EBSS is closely linked to our revealed cost approach to forecasting opex. When we assess or develop the opex forecast, the NER requires us to have regard to whether the opex forecast is consistent with any incentive schemes.¹³

Our opex forecasting method typically relies on using the revealed costs of the service provider in a chosen base year to develop a total opex forecast, if the chosen base year opex is not considered to be materially inefficient. Under this approach, a service provider would have an incentive to spend more opex in the expected base year. Also, a service provider has less incentive to reduce opex towards the end of the regulatory control period, where the benefit of any efficiency gains is retained for less time. The application of the EBSS therefore serves two important functions:

1. it removes the incentive for a service provider to inflate opex in the expected base year to gain a higher opex forecast for the next regulatory control period
2. it provides a continuous incentive for a service provider to pursue efficiency improvements across the regulatory control period.

The EBSS does this by allowing a service provider to retain efficiency gains or losses for a total of 6 years, regardless of the year in which the service provider makes them. Where we do not propose to rely on the single year revealed costs of a service provider in forecasting opex, this has consequences for the service provider's incentives and our decision on how we apply the EBSS.

For these reasons, our decision on how we will apply the EBSS to Powerlink has a strong interrelationship with our decision on its opex (see Attachment 3). We have careful regard to the effect of our EBSS decision when making our opex decision, and our EBSS decision is made largely in consequence of, and takes careful account of, our past and current decisions on Powerlink's opex.

5.4 Reasons for draft decision

This section provides the reasons for our draft decision on the carryover amounts that arise from applying the EBSS during the 2022–27 regulatory control period, and how we will apply the EBSS in the 2027–32 regulatory control period.

5.4.1 Carryover amounts from the 2022–27 regulatory control period

Our draft decision is to include EBSS carryover amounts totalling \$27.5 million from the application of the EBSS in the 2022–27 regulatory control period. This represents a \$252.5 million difference from Powerlink's proposed carryover amount of –\$225.0 million. This difference reflects the adjustments we made in applying the scheme, as summarised in section 5.1 and discussed further below.

We consider that the EBSS carryover amounts we have calculated provide for a fair sharing of efficiency gains and losses between Powerlink and its network users. In our final decision,

¹³ NER, cl. 6A.6.6(e)(8). Further, we must specify and have regard to the relationship between the constituent components of our overall decision: NEL, s 16(1)(c).

we will also update our EBSS carryover calculations to reflect actual opex for 2025–26, and update for the most recent inflation data.

Our draft decision uses the estimate of 2025–26 opex included in Powerlink’s proposal because actual data for 2025–26 was not available at the time the proposal was submitted.

Calculating EBSS carryovers using the 2023–24 base year

Consistent with our draft decision for total forecast opex for the 2027–32 period, we have used 2023–24 as the base year to calculate Powerlink’s EBSS carryover amounts, rather than 2025–26 as proposed by Powerlink.¹⁴ We provide the reasons for substituting 2023–24 as the base year in Attachment 3.¹⁵ The EBSS requires us to use the same estimate of final year opex, which is a function of the base year, to calculate both the EBSS carryover amounts and to estimate forecast total opex. Using 2023–24 as the base year results in a lower estimate of final year opex and thus lower EBSS penalties than if we had used 2025–26 as the base year.

5.4.1.2 Inflation

Consistent with our standard approach, and opex forecast, we used unlagged inflation to convert opex amounts to 2026–27 real terms. In our draft decision we have used updated consumer price index (CPI) values compared to those Powerlink used in its proposal.¹⁶

For 2025–26, we used the actual June 2026 CPI figure published by the Australian Bureau of Statistics, which was released after Powerlink submitted its proposal.¹⁷

For 2026–27, we used forecast CPI values derived from the Reserve Bank of Australia’s August 2026 Statement on Monetary Policy, which was also published after Powerlink submitted its proposal.¹⁸

5.4.2 Application of EBSS for the 2027–32 regulatory control period

Our draft decision is to continue to apply version 2 of the EBSS¹⁹ to Powerlink during the 2027–32 regulatory control period. It will apply to opex associated with prescribed transmission services, as discussed in Attachment 3. We consider applying the scheme will benefit the long-term interests of electricity consumers by providing a continuous incentive for Powerlink to reduce its opex. Provided we forecast Powerlink’s future opex using its revealed costs in the 2027–32 regulatory control period, any efficiency gains or losses that Powerlink achieves will lead to lower or higher future opex forecasts, and thus lower or higher network charges. Version 2 of the EBSS specifies our approach to adjusting forecast or actual opex when calculating carryover amounts.²⁰ We set out these adjustments below.

¹⁴ Powerlink, *2027–32 Revenue Proposal*, January 2026, p 139.

¹⁵ AER, *Draft decision – Powerlink electricity transmission determination 2027 to 2032 – Attachment 3 – Operating expenditure*, September 2026.

¹⁶ Powerlink, *EBSS model*, January 2026.

¹⁷ Australian Bureau of Statistics (ABS), *Consumer Price Index – Australia*, June 2026.

¹⁸ Reserve Bank of Australia (RBA), *Statement on Monetary Policy*, August 2026.

¹⁹ AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013.

²⁰ AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013.

5.4.2.1 Adjustments to forecast or actual opex when calculating carryover amounts

The EBSS allows us to exclude categories of costs that we do not forecast using a single year revealed cost forecasting approach in the following regulatory control period. We do this to fairly share efficiency gains and losses. Where a service provider achieves efficiency improvements, it receives a benefit through the EBSS, and consumers receive a benefit through lower forecast opex in the next regulatory control period. This is how consumers and the service provider share the benefits of an efficiency improvement. If we do not use a single year revealed cost forecasting approach, we may not pass the benefits of these revealed efficiency gains to consumers. It follows that consumers should not pay for EBSS rewards where they do not receive the benefits of a lower opex forecast.

We do not forecast debt raising costs using a single year revealed cost forecasting approach. Instead, we provide a benchmark forecast. Accordingly, we have excluded these costs from the EBSS for the 2027–32 regulatory control period since any achieved efficiency gains or losses would not be passed on to network users.

Powerlink's proposed 2027–32 total forecast operating expenditure (see Attachment 3, section 3.3.4.4) included AEMO participant fees as a category specific forecast, thereby excluding the costs from the EBSS for the 2027–32 period. As discussed in Attachment 3, we now consider that due to the AEMC rule change the AEMO participant fees should be included as a step change and be subject to incentive regulation.²¹

In particular, the AEMC's final rule determination indicates that participant fees are intended to be subject to the EBSS.²² Therefore we will not exclude AEMO participant fees from the EBSS for the 2027–32 regulatory control period.

In addition to the above, and consistent with version 2 of the EBSS, we will also make the following adjustments when we calculate the EBSS carryover amounts accrued during the 2027–32 regulatory control period:

- adjust forecast opex to add or subtract any approved revenue increments or decrements made after the initial regulatory determination, such as approved pass-through amounts or opex for contingent projects
- adjust actual opex to add capitalised opex that has been excluded from the regulatory asset base
- adjust forecast opex and actual opex for inflation
- adjust actual opex to remove any movements in provisions
- adjust actual opex for any incentive scheme / allowance categories where inclusion would distort incentives

²¹ AEMC, *National Electricity Amendment (Recovering the cost of AEMO's participant fees) Rule 2022 No. 9, Final Decision*, October 2022.

²² AEMC, *National Electricity Amendment (Recovering the cost of AEMO's participant fees) Rule 2022 No. 9, Final Decision*, October 2022, p ii.

- adjust opex for any services that will not be classified as prescribed transmission services in the 2032–37 regulatory control period, to the extent these costs are not forecast using a single year revealed cost approach and excluding these costs better achieves the requirements of clause 6A.6.5 of the NER.

Glossary

Term	Definition
ABS	Australian Bureau of Statistics
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CPI	consumer price index
EBSS	efficiency benefit sharing scheme
NER	National Electricity Rules
NCIPAP	Network Capability Incentive Parameter Action Plan
Opex	operating expenditure
RBA	Reserve Bank of Australia
RPRG	Revenue Proposal Reference Group