

Draft Decision

Powerlink electricity transmission determination 2027 to 2032

(1 July 2027 to 30 June 2032)

Attachment 8 – Pricing methodology

September 2026

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8 Pricing methodology

This attachment sets out our draft decision on Powerlink’s proposed pricing methodology for the 2027–32 regulatory control period (2027–32 period).

A pricing methodology forms part of our transmission determination.¹ The role of the pricing methodology is to set out how the transmission network service provider (TNSP) will recover its costs via prices.² In particular, the pricing methodology provides a ‘methodology, formula, process or approach’ that, among other things:³

- Allocates the aggregate annual revenue requirement (AARR) to the categories of prescribed transmission services that the TNSP provides and, after adjustments, to the applicable transmission network connection points.⁴
- Determines the structure and recovery of prices that a TNSP may charge for each category of prescribed transmission services.⁵

An approved pricing methodology does not relate to negotiated transmission services or other transmission services not subject to economic regulation under chapter 6A of the National Electricity Rules (NER).

8.1 Draft decision

Our draft decision is to approve Powerlink’s proposed pricing methodology for the 2027–32 period.⁶ This is because we are satisfied it gives effect to, and is consistent with, the pricing principles in the NER, and complies with the information requirements set out in the AER’s Pricing Methodology Guidelines.⁷

Powerlink’s proposed pricing methodology attracted stakeholder submissions and comments.⁸ We have considered these submissions in coming to our draft decision and have concluded that Powerlink’s proposed pricing methodology does not require amendments to address the issues raised. This is because, as noted earlier, the proposed pricing

¹ NER, cl. 6A.2.2(4).

² AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p 1.

³ NER, cl. 6A.24.1(b).

⁴ NER, cl. 6A.24.1(b)(1–3).

⁵ NER, cl. 6A.24.1(b)(4).

⁶ NER, cl 6A.14.1(8); Powerlink, *Appendix 14.01 - Proposed Pricing Methodology*, January 2026. Powerlink provided us with a clean version of the proposed pricing methodology in March 2026 and it is this clean version that we have published as the approved pricing methodology as part of this draft decision. We will refer to the proposed/approved pricing methodology as AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026.

⁷ NER, cll. 6A.14.3(g), 6A.23 and 6A.24.1(c); AER, [Final amendments to pricing methodology guidelines](#), 3 July 2025, pp 6–10.

⁸ CCP34, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 41–43. Australia Pacific LNG, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 2. Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 3–9.

methodology gives effect to and is consistent with the requirements of the NER and our Pricing Methodology Guidelines.

As part of our draft decision, however, we encourage Powerlink to consult with stakeholders and customers to inform its revised proposal on two specific issues raised in submissions, particularly:

- Further information it can possibly provide to customers to assist them understand changes to their future (annual) transmission prices and hence increase transparency in the transmission pricing process.
- Discussion on the use of megavolt-amperes (MVA) instead of megawatts (MW) to calculate transmission use of system (TUOS) locational prices, including potentially for future regulatory periods, given we understand network decisions to invest in network capacity are largely driven by thermal limitations that are better represented by MVA limits.

We also encourage Powerlink to set out at a high-level the allocation of its revised proposal capital expenditure (capex) forecast and associated revenue requirement to each category of prescribed transmission services (transmission services category). We consider this would provide stakeholders and customers an indication at a high level of how the revised proposal capex forecasts impact each transmission service category, which in turn provides an indication of movements in prices for prescribed transmission services (transmission prices).

Section 8.4.4 sets out our detailed consideration and assessment of the issues raised in submissions.

8.2 Powerlink's proposal

Powerlink's proposed pricing methodology for the 2027–32 period is largely identical to the approved pricing methodology for the 2022–27 period, with some amendments:⁹

- system security network support payments are now recovered through common transmission services charges using an annual 'true-up' process¹⁰
- the terminology has been updated to refer to the "total regional aggregate annual revenue requirement" (total regional AARR), particularly in Powerlink's role as the Coordinating Network Service Provider (CNSP) for the Queensland region¹¹
- providing for the possibility that interconnector costs can now alternatively be allocated between regions based on negotiated agreements between relevant Ministers.¹²

⁹ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 7 and 27.

¹⁰ This change is defined in sections 6.3 and 6.10.4 of the proposed pricing methodology. It is intended to reflect the requirements of the *National Electricity Amendment (Improving Security Frameworks for the Energy Transition) Rule 2024*.

¹¹ This is in sections 6.2 and 6.4 of the proposed pricing methodology and follows the definition in NER cl. 6A.22.5. It is a naming change to reflect the requirements of the *National Electricity Amendment (Providing Flexibility in the Allocation of Interconnector Costs) Rule 2024*.

¹² This is in section 6.4 of the proposed pricing methodology. It is intended to reflect the requirements of the *National Electricity Amendment (Providing Flexibility in the Allocation of Interconnector Costs) Rule 2024*.

Powerlink also proposed to continue the transition from using a combination of average demand and peak demand to derive locational prices to using peak demand only. This maintains a 10-year schedule started in the 2022–27 regulatory period¹³ and reduces average demand weighting by 10% annually, reaching a 0% allocation by 30 June 2032.¹⁴

8.3 Assessment approach

We must approve a proposed pricing methodology if we are satisfied that it:

- gives effect to, and complies with, the pricing principles for prescribed transmission services (pricing principles),¹⁵
- complies with the requirements of the AER's Pricing Methodology Guidelines.¹⁶

These requirements guided our assessment of Powerlink's proposed pricing methodology.

8.3.1 Interrelationships

Powerlink is currently the sole provider of prescribed transmission services in Queensland and therefore acts as both the TNSP and CNSP for the region.¹⁷ As a result, there are currently no intra-regional interactions with other TNSPs that would otherwise feed into the CNSP's calculation of the total regional AARR.

As a CNSP, Powerlink is responsible for calculating and billing modified load export charges (MLEC).¹⁸

Powerlink is also the System Strength Service Provider for Queensland and so is responsible for calculating the system strength unit price.¹⁹

8.4 Reasons for draft decision

The following section set out the reasons for our draft decision to approve Powerlink's proposed pricing methodology for the 2027–32 period. In the following sections we first assess the proposed amendments in Powerlink's pricing methodology and then assess how it meets the NER pricing principles, and the AER pricing methodology guideline requirements. Lastly, we consider the issues raised in submissions.

¹³ AER, *Final decision - Powerlink transmission determination 2022-27 - Amended Pricing methodology*, January 2023, pp 13 and 25.

¹⁴ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp. 18, 26.

¹⁵ NER, cl. 6A.14.3(g)(1) and cl. 6A.24.1(c)(1). The Pricing Principles for prescribed transmission services are set out in rule 6A.23.

¹⁶ NER, cl. 6A.14.3(g)(2) and cl. 6A.24.1(c)(2).

¹⁷ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 10.

¹⁸ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 10.

¹⁹ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 7, 21–23.

8.4.1 Assessment of amendments in the proposed pricing methodology

Below, we set out our assessment of the amendments in Powerlink's proposed pricing methodology.

8.4.1.1 Recovery of system security network support payments

In its proposed pricing methodology, Powerlink amended sections 6.3 and 6.10.4 of its current methodology to reflect that system security network support payments are now recovered through prescribed common transmission services charges, with any difference between expected and actual payments reconciled through an annual true-up process.²⁰

We accept this amendment as it is consistent with the requirements of the NER as modified by the Australian Energy Market Commission's (AEMC's) *Improving Security Frameworks for the Energy Transition* rule change in 2024.²¹ This amendment simply updates Powerlink's pricing methodology to reflect new requirements of the NER which were introduced since Powerlink's previous transmission determination.

8.4.1.2 Terminology update for the total regional AARR

In its proposed pricing methodology, Powerlink updated sections 6.2 and 6.4 to use the term "total regional aggregate annual revenue requirement", particularly in describing Powerlink's responsibilities as the CNSP for the Queensland region.²² The term, total regional AARR, was introduced in the AEMC's *Providing flexibility in the allocation of interconnector costs* rule change, to define the total amount of revenue that a CNSP for a region is responsible for allocating.²³

We accept this update as it aligns Powerlink's pricing methodology with the definition and language used in clause 6A.22.5 of the NER. This is a terminology change only and does not alter the substance of the methodology or the way Powerlink calculates or allocates the total regional AARR.

8.4.1.3 Interconnector cost allocation flexibility

In its proposed pricing methodology, Powerlink amended section 6.4 to provide for the possibility that interconnector costs may be allocated between regions based on agreements negotiated between relevant Ministers.²⁴ The proposed pricing methodology notes that Powerlink does not currently have an interconnector cost allocation agreement.²⁵

²⁰ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 11, 20 and 37.

²¹ NER, cll. 6A.22.1 and 6A.23.3(h). AEMC, *Rule determination: Improving security frameworks*, 28 March 2024, p 50.

²² AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 10–11.

²³ AEMC, *Rule determination: Providing flexibility in the allocation of interconnector costs*, 3 October 2024, p iv.

²⁴ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 11.

²⁵ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 11.

We accept this amendment as it is consistent with the requirements of the NER as modified by the AEMC's *Providing Flexibility in the Allocation of Interconnector Costs* rule change in 2024.²⁶ This amendment simply updates Powerlink's pricing methodology to reflect new requirements of the NER which were introduced since Powerlink's previous transmission determination.

8.4.2 Assessment against the pricing principles for prescribed transmission services

We are satisfied that Powerlink's proposed pricing methodology gives effect to and is consistent with the pricing principles in the NER.²⁷ The pricing principles are intended to provide scope for transmission businesses to develop pricing arrangements that address the circumstances in which they operate their network.²⁸

8.4.2.1 Calculation and allocation of the aggregate annual revenue requirement

We assessed Powerlink's method for calculating and allocating its AARR and consider this aspect meets NER requirements.

The AARR is the 'maximum allowed revenue' adjusted:²⁹

- in accordance with clause 6A.3.2 of the NER, for a number of factors such as cost pass throughs, service target performance incentive scheme outcomes, and contingent projects, and
- by subtracting the operating and maintenance costs expected to be incurred in the provision of prescribed common transmission services.

Powerlink acknowledges that the total regional AARR is Powerlink's AARR until there is more than one TNSP in Queensland or an *interconnector cost allocation agreement*, or an agreement as stipulated in clause 6A.29.4 is implemented.³⁰

Table 8.1 summarises our review of how Powerlink's proposed pricing methodology calculates and allocates the business' AARR.

Table 8.1 Powerlink's proposed calculation and allocation of the AARR and the NER requirements

NER Requirements	AER Assessment
Requirement for the AARR to be calculated as defined in the NER—clause 6A.22.1	Sections 6.3 and 6.4 and Appendix A of Powerlink's proposed pricing methodology complies with this requirement.

²⁶ NER, cl. 6A.29.3. AEMC, *Rule determination: Providing flexibility in the allocation of interconnector costs*, 3 October 2024, pp 36–38.

²⁷ NER, cll. 6A.14.3(g) and 6A.23.

²⁸ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, December 2006, pp 27–28.

²⁹ NER, cl. 6A.22.1.

³⁰ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 11.

NER Requirements	AER Assessment
If applicable, the total regional AARR is calculated as defined in the NER— clause 6A.22.5	
Requirement for the AARR to be allocated to each category of prescribed transmission services in accordance with attributable cost share for each such category of services— clause 6A.23.2(a)-(a1)(1), If applicable, the total regional AARR is allocated to each category of prescribed transmission services— clause 6A.23.2(a1)(2)	Sections 6.5, 6.6, 6.7 and 6.8 and Appendix B of Powerlink's proposed pricing methodology comply with this requirement. We had regard to the following issues raised in submissions as part of our assessment: As discussed in section 8.4.4.1, Australia Pacific LNG submitted that new costs from the revenue proposal should be distributed appropriately in the proposed pricing methodology to not disproportionately impact existing users.
Requirement for every portion of the AARR to be allocated and for the same portion of AARR not to be allocated more than once—clause 6A.23.2(c) If applicable, requirement for every portion of the total regional AARR to be allocated and for the same portion to not be allocated more than once— clause 6A.23.2(c1)	Sections 6.7, 6.8, Appendix B and Appendix E of Powerlink's proposed pricing methodology comply with this requirement.
Subject to clause 11.6.11 of the NER, requirement for adjusting attributable cost share and priority ordering approach to asset costs that would otherwise be attributed to the provision of more than one category of prescribed transmission services—clause 6A.22.3(c)	Section 6.6, Appendix B and Appendix E of Powerlink's proposed pricing methodology comply with this requirement.

8.4.2.2 Powerlink's proposed allocation of the Annual Service Revenue Requirement and the NER requirements

We assessed Powerlink's proposed pricing methodology for allocating the annual service revenue requirement (ASRR) and consider this aspect meets NER requirements. Table 8.2 summarises our assessment.

Table 8.2 Powerlink's proposed allocation of the ASRR and the NER requirements

NER Requirements	AER Assessment
Requirement for whole ASRR for prescribed entry services (entry services) to be allocated to transmission network connection points in accordance with the attributable connection point cost share for entry services that are	Section 6.9.1 of Powerlink's proposed pricing methodology complies with this requirement. We had regard to the following issues raised in submissions as part of our assessment:

NER Requirements	AER Assessment
provided by the TNSP at that connection point— clause 6A.23.3(i)	As discussed in section 8.4.4.1, Australia Pacific LNG submitted that new costs from the revenue proposal should be distributed appropriately in the proposed pricing methodology to not disproportionately impact existing users.
Requirement for the whole ASRR prescribed exit services (exit services) to be allocated to transmission network connection points in accordance with the attributable connection point cost share for exit services that are provided by the TNSP at that connection point— clause 6A.23.3(j)	Section 6.9.2 of Powerlink’s proposed pricing methodology complies with this requirement. We had regard to the following issues raised in submissions as part of our assessment: As discussed in section 8.4.4.1, Australia Pacific LNG submitted that new costs from the revenue proposal should be distributed appropriately in the proposed pricing methodology to not disproportionately impact existing users.
Requirement for the allocation of the ASRR for: - Requirement for the allocation of the ASRR for prescribed TUOS services between: - Pre-adjusted Locational components; - Pre-adjusted non-locational components; - and how these are required to be adjusted; and how they are allocated to relevant connection points —clause 6A.23.3(a) to (g)	Section 6.9.3 of Powerlink’s proposed pricing methodology complies with this requirement. We had regard to the following issues raised in submissions as part of our assessment: As discussed in section 8.4.4.1, Australia Pacific LNG submitted that new costs from the revenue proposal should be distributed appropriately in the proposed pricing methodology to not disproportionately impact existing users.
Requirements for the attributable connection point cost share for each of those categories of services to reflect the ratio of: - the costs of the transmission system assets directly attributable to the provision of entry services or exit services, respectively, at a transmission network connection point; to - the total costs of all the system assets directly attributable to the provision of entry services or exit services, respectively — clause 6A.22.4.	Section 6.9.1 and 6.9.2 of Powerlink’s proposed pricing methodology comply with this requirement.
Requirement for the ASRR for prescribed common transmission services to be adjusted by adding:	Section 6.10.4 of Powerlink’s proposed pricing methodology complies with this requirement.

NER Requirements	AER Assessment
- the operating and maintenance costs incurred in the provision of those services; - expected system security network support payments; and - any adjustments under clause 6A.7.2 that relate to reconciling a previous regulatory year of expected system security network support payments with actual system security network support payments, in each case to the extent that the relevant cost, payment or allowance was subtracted from the maximum allowed revenue in accordance with clause 6A.22.1 —clause 6A.23.3(h).	We had regard to the following issues raised in submissions as part of our assessment: - As discussed in section 8.4.4.1, Australia Pacific LNG submitted that new costs from the revenue proposal should be distributed appropriately in the proposed pricing methodology to not disproportionately impact existing users. - As discussed in section 8.4.4.4, Aurizon questions whether directly connected customers funding static VAR compensators (SVCs) and static synchronous compensators (STATCOMS), either privately or through exit services, should be exempt from paying for system strength transmission services.

8.4.2.3 Development of price structure

We assessed Powerlink’s proposed pricing methodology and process for developing different prices for recovering the ASRR and we consider its proposal meets the NER requirements. Table 8.3 summarises our assessment.

Table 8.3 Powerlink’s proposed pricing structure and the NER requirements

NER Requirements	AER Assessment
Requirement for separate prices for each category of prescribed transmission services—clause 6A.23.4(a)	Sections 6.10 and 6.11 of Powerlink’s proposed pricing methodology comply with this requirement.
Requirement for fixed annual amount prices for entry services and exit services—clause 6A.23.4(g)	Section 6.10.1 of Powerlink’s proposed pricing methodology complies with this requirement.
Requirement for postage stamped prices for prescribed common transmission services—clause 6A.23.4(f)	Section 6.10.4 of Powerlink’s proposed pricing methodology complies with this requirement. We had regard to the following issues raised in submissions as part of our assessment: As discussed in section 8.4.4.6, Aurizon questioned if prudent discounts to the common and non-locational prices are appropriate to offset increases in locational prices above CPI + 2% for a connection point.
Requirement for prices for locational component of prescribed TUOS services to be based on	Section 6.10.2 of Powerlink’s proposed pricing methodology complies with this requirement.

NER Requirements	AER Assessment
demand at times of greatest utilisation of the transmission network and for which network investment is most likely to be contemplated—clause 6A.23.4(b)(1)	We had regard to the following issues raised in submissions as part of our assessment: As discussed in section 8.4.4.5, Aurizon questioned whether TUOS locational prices should be calculated based on MVA rather than MW.
Requirement for prices for the locational component of ASRR for prescribed TUOS services not to change by more than 2% per year compared with the load weighted average prices for this component for the relevant region—clause 6A.23.4(b)(2)	Sections 6.10.2 and 11.2 of Powerlink's proposed pricing methodology comply with this requirement. We had regard to the following issues raised in submissions as part of our assessment: As discussed in section 8.4.4.2, Aurizon's submission questioned the policy intent of the 2% side constraint which applies to TUOS locational prices.
Requirement for prices for the adjusted non-locational component of prescribed TUOS services to be on a postage stamp basis—clause 6A.23.4(e)	Section 6.10.3 of Powerlink's proposed pricing methodology complies with this requirement. We had regard to the following issues raised in submissions as part of our assessment: As discussed in section 8.4.4.6, Aurizon questioned if prudent discounts to the common and non-locational prices are appropriate to offset increases in locational prices above CPI + 2% for a connection point.
Setting of TUOS locational prices between annual price publications—clause 6A.23.4(b)(3)(ii)	Section 6.14 and 11 of Powerlink's proposed pricing methodology complies with this requirement.

8.4.3 Assessment against the Pricing Methodology Guidelines

We are satisfied that Powerlink's proposed pricing methodology complies with the information requirements of the Pricing Methodology Guidelines.

Key features of the proposal that go to meeting these information requirements include:

- acknowledging that Powerlink is the sole provider of *prescribed transmission services* within its region and is the CNSP for the region³¹

³¹ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 10–11.

- calculating the locational component of prescribed TUOS services costs using a cost reflective network pricing methodology³²
- basing the locational prescribed TUOS services price on the sum of the relevant percentage of the average half-hourly demand and the agreed nominated demand or contract agreed maximum demand³³
- using a postage stamp pricing structure for the non-locational component of prescribed TUOS services and prescribed common transmission services³⁴
- describing the methodology for determining system strength unit price at each system strength node³⁵
- using the priority ordering approach under clause 6A.22.3(c) of the NER to implement priority ordering³⁶
- describing how asset costs that may be attributable to both entry services and exit services will be allocated at a connection point³⁷
- describing billing arrangements as in clauses 6A.27 and 6A.29A.4 of the NER³⁸
- describing prudential requirements as in clause 6A.28 of the NER³⁹
- including hypothetical worked examples for:
 - allocation of total regional AARR to each category of prescribed transmission services⁴⁰
 - allocation of ASRR of each category of prescribed transmission services to connection points⁴¹
 - modified load export charge⁴²

³² AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 16–17, 31–32.

³³ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 18 and 26.

³⁴ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 19–21.

³⁵ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 21–23, 51–55.

³⁶ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 29–30, 40–50.

³⁷ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 29–30.

³⁸ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 24 and 36.

³⁹ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 25.

⁴⁰ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 13–14.

⁴¹ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 14–17.

⁴² AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 37–39.

- describing how Powerlink intends to monitor and develop records of its compliance with its approved pricing methodology, the pricing principles and Part J of the NER.⁴³

The proposed pricing methodology also explains how several of the information requirements do not apply to Powerlink. These include:

- requirements for when the TNSP has provided the AER with a confidential version of its pricing methodology⁴⁴
- details of any derogation in accordance with chapter 9 of the NER⁴⁵
- any transitional arrangements which apply in accordance with chapter 11 of the NER.⁴⁶

Aurizon Network (Aurizon) questioned whether Powerlink could include a new section in the pricing methodology requiring Powerlink to provide detailed annual pricing information explaining the drivers of changes in transmission prices when requested by directly connected customers. As discussed in section 8.4.4.3, we encourage Powerlink to consult with directly connected customers in developing its revised proposal to determine whether the pricing methodology can outline information that can be provided annually to enable better understanding of changes to transmission prices.

8.4.4 Assessment of issues raised in submissions

The AER received three submissions that discussed Powerlink’s proposed transmission pricing methodology.

Consumer Challenge Panel sub panel 34 (CCP34) considered the proposed pricing methodology appeared appropriate and generally consistent with the pricing principles applicable to prescribed transmission services.⁴⁷

Australia Pacific LNG, submitted that the assignment of new costs from the revenue proposal should be carefully considered to ensure they are distributed appropriately to not disproportionately impact existing users.⁴⁸

Aurizon’s submission questioned:⁴⁹

- If the AER can provide a breakdown of the proposed capex for the 2027–32 period by prescribed transmission service in our draft decision.

⁴³ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, pp 25–26.

⁴⁴ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 27.

⁴⁵ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 27.

⁴⁶ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 27.

⁴⁷ CCP34, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 41–43.

⁴⁸ Australia Pacific LNG, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 2.

⁴⁹ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 4–9

- The policy intent of the 2% side constraint on prices for prescribed TUOS services – locational component (TUOS locational prices):
 - if it should be adjusted to account for Powerlink’s transition to using peak demand only to derive locational prices
 - if the side constraint should operate to prevent a material increase in locational prices associated with material changes in the generation market or from material capex growth projects unrelated to changes in demand at that connection point
- Whether the pricing methodology can include a new section requiring Powerlink to provide annual pricing information when requested by directly connected customers.
- Whether directly connected customers funding SVCs and STATCOMS, either privately or through exit services, should be exempt from paying for system strength transmission services.
- Whether the TUOS locational prices should be calculated based on MVA rather than MW.
- If prudent discounts to the prescribed common and non-locational charges are appropriate to offset increases in locational TUOS charges above CPI + 2% for a connection point.

We discuss each of these matters in the sections below.

8.4.4.1 The impact of new costs on existing customers

Australia Pacific LNG submitted that the assignment of new costs from the revenue proposal should be carefully considered to ensure they are distributed appropriately in the proposed pricing methodology to not disproportionately impact existing users.⁵⁰ Australia Pacific LNG submitted this noting its view is provided in the context of the growing complexity of Powerlink’s operations and investments to accommodate changes to supply and demand.⁵¹

Similarly, Aurizon noted the increases in Powerlink’s capex proposal for the 2027–32 period and requested that our draft decision include a high-level breakdown of proposed capex by prescribed transmission service.⁵² Aurizon noted Powerlink proposed an estimated \$232 million of replacement expenditure on connecting infrastructure for six of Aurizon’s prescribed connections. Aurizon described receiving estimates from Powerlink of prescribed connection fees over the 2027–32 period on an all-else equal basis. Aurizon commented that the materiality of prospective increases in the revised optimised replacement cost (ORC) values for its six ‘prescribed connections requiring renewals are expected to result in a substantive increase in the exit services for those connections.’⁵³ Aurizon stated it did not expect such substantive increases in the prescribed exit service charges, given that the

⁵⁰ Australia Pacific LNG, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 2.

⁵¹ Australia Pacific LNG, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 2.

⁵² Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 3–4

⁵³ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 3–4.

pricing methodology is intended to avoid price shocks at asset renewals completed by Powerlink.⁵⁴

Our draft decision does not require an amendment to Powerlink's proposed pricing methodology in relation to this issue. We consider the proposed pricing methodology allocates costs in accordance with Part J of Chapter 6A of the NER as described in sections 8.4.2.1 and 8.4.2.2. We consider the NER contains mechanisms that help ensure new costs do not disproportionately impact existing customers. As we discuss below, and consistent with the way the current approach to prescribed transmission pricing were initially established, these mechanisms include allocating asset costs on the basis that they are directly attributable to the transmission services categories, sending clear investment signals and pricing based on proportionate use of the network.⁵⁵

TNSPs are required under the NER to allocate their AARR into the transmission services categories according to the cost shares of assets that are directly attributable to (meaning assets that are used or required to provide) that transmission services category.^{56, 57} This allocation is derived by the 'attributable cost share' for that transmission service category, which each TNSP, including Powerlink, calculates by dividing:⁵⁸

- the cost of assets directly attributable to that transmission service category by
- the cost of all assets directly attributable to prescribed transmission assets.

The NER similarly requires TNSPs to allocate the ASRR for entry services and exit services to connection points, in accordance with the cost shares of assets that are directly attributable to each given connection point relative to the total asset costs.⁵⁹

We consider these principles ensure new costs do not disproportionately impact existing customers because they allocate new costs to the transmission service categories they are directly attributable to. Similarly, the ASRR allocated to entry and exit services are in turn allocated to connection points according to their directly attributable cost shares.

The AEMC also noted these principles allow cost allocation to shift over time to reflect changes in the use of services and assets. This is because capex costs are recovered over the life of the assets, which can span several regulatory control periods, which enables these changes in cost allocation. For example, costs of exit services can migrate to TUOS or common services as assets are used to provide services that are different from the original investment drivers.⁶⁰

⁵⁴ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 4.

⁵⁵ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, December 2006, pp 33–37 and 43–46.

⁵⁶ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, December 2006, pp 33–37.

⁵⁷ According to the attributable cost share as per NER, cl. 6A.23.2.

⁵⁸ NER, cl. 6A.22.3.

⁵⁹ NER, cll. 6A.23.3(i) and (j); AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, December 2006, pp 39–41.

⁶⁰ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, December 2006, pp 32–34.

We also consider the pricing provisions for TUOS services and common services in the NER ensure new costs do not disproportionately impact existing customers. This is because the NER requires TNSPs to price these services such that customers contribute to cost recovery based on their proportionate use of the shared network:

- The NER requires TNSPs to allocate the ASRR for prescribed TUOS services – adjusted locational component to transmission customers such that their prices are based on demand at times of greatest utilisation of the network, to send efficient economic signals to network users to inform their investment and network use decisions.⁶¹
- The NER requires TNSPs to allocate the ASRR for prescribed TUOS services – adjusted non-locational, and the ASRR for prescribed common transmission services, to customers such that their prices are set on a postage stamp basis.⁶² Our Pricing Methodology Guidelines allow either energy-based or demand-based pricing structure for these services.⁶³ These pricing structures recover a greater proportion of a TNSP's costs from customers who have greater use of the transmission network.

We also agree with Powerlink's explanation that the pricing methodology may assist in ensuring new costs do not impact existing customers disproportionately.⁶⁴ Powerlink noted it may calculate the first-year locational price for a new connection point to reflect the costs attributable to that connection. That is, the side constraint does not apply to first-year locational prices for a new connection point because new connections would not have had prices in the previous regulatory year.⁶⁵ Powerlink described this process as intended to ensure that customers who do not benefit from the investment are not materially affected by inequitable increases in the TUOS locational changes.⁶⁶ We consider this consistent with the NER concerning the 2% side constraint.⁶⁷

Regarding Aurizon's request, we do not consider it appropriate for our draft decision to provide a break-down of the proposed capex into the ASRR of each transmission service category. This is because in the context of capex (rather than the pricing methodology) the NER requires our draft decision to accept or not accept a TNSP's total capex forecast rather than individual capex projects.⁶⁸ We consider that breaking down our draft decision on capex, and the associated revenue requirement, into the transmission service categories would be highly indicative at best.

We also do not have the necessary information to perform this breakdown. TNSPs allocate costs to transmission services categories using the ORC for network assets used to provide

⁶¹ NER, cl. 6A.23.4(b)(1). AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, December 2006, p 44.

⁶² NER, cll. 6A.23.4(e) and (f).

⁶³ Section 2.3 of the AER's Pricing Methodology Guidelines.

⁶⁴ Powerlink, *RE: Powerlink - information request IR#031 – Transmission Pricing Methodology*, 14 July 2026, p 3.

⁶⁵ AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 26.

⁶⁶ Powerlink, *RE: Powerlink - information request IR#031 – Transmission Pricing Methodology*, 14 July 2026, p 3.

⁶⁷ NER, cl. 6A.23.4(b)(2).

⁶⁸ NER, cl. 6A.14.1(2).

these services.⁶⁹ As discussed earlier in this section, costs are allocated to the transmission service categories according to how they are used and costs can migrate to different categories over time. ORCs therefore require detailed knowledge of expenditure, network assets and the services they are directly attributable to for a given regulatory year, which we consider Powerlink is better placed to estimate.

We therefore encourage Powerlink to provide a forecast for how its proposed capex, and its associated revenue requirement, would contribute to the revenue requirement for each prescribed transmission service categories as part of the revised proposal. Powerlink will develop the revised capex forecasts after the draft decision for its revised proposal. Powerlink understands the data behind the capex forecasts and its associated revenue requirement, so we consider Powerlink is better placed to develop an indicative breakdown of the costs between the prescribed transmission service categories. This is a part of responding to stakeholder submissions that have raised concerns about how the increased capex in Powerlink's revenue proposal flows through the AARR and to transmission prices.⁷⁰

8.4.4.2 Policy intent of the 2% side constraint for TUOS locational pricing

Aurizon questioned what the policy intent of the 2% side constraint is and if it should be adjusted to account for the transitional arrangements for TUOS locational prices.⁷¹ Aurizon also questioned whether the 2% side constraint operates to prevent a material increase in the TUOS locational prices. Aurizon requested that the AER clarify whether the 2% side constraint can operate to prevent material increases in the TUOS locational prices due to material changes in the generation market or from material capex growth projects unrelated to changes in demand at that connection point.⁷²

Our draft decision does not require any amendment to the proposed pricing methodology regarding the 2% side constraint because we consider it is consistent with the NER as we outlined in Table 8.3.^{73, 74}

As we noted in section 8.2, Powerlink's approved pricing methodology for the 2022–27 period included a transitional arrangement for Powerlink to set TUOS locational prices based on peak demand, rather than average demand, over a ten-year period.⁷⁵ We accepted the transition to TUOS locational pricing by peak demand to allow Powerlink to comply with the 2% side constraint for the following reasons:⁷⁶

⁶⁹ NER, cll. 6A.22.2 and 6A.22.3.

⁷⁰ Australia Pacific LNG, Submission - Powerlink 2027-32 electricity transmission revenue proposal, May 2026, p. 2; Aurizon, Submission - Powerlink 2027-32 electricity transmission revenue proposal, May 2026, pp 3–4.

⁷¹ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 7–9.

⁷² Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 5–7.

⁷³ NER, cl. 6A.23.4(b)(2); AER, *Draft decision - Powerlink electricity transmission determination 2027 to 2032 – Approved pricing methodology*, September 2026, p 18.

⁷⁴ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 5–7.

⁷⁵ AER, *Powerlink 2022-27 - Draft decision - Attachment 11 - Pricing methodology*, September 2021, pp 6–7.

⁷⁶ AER, *Powerlink 2022-27 - Draft decision - Attachment 11 - Pricing methodology*, September 2021, pp 6–7; AER, *Powerlink 2022-27 - Final Decision*, April 2022, p 71.

- The proposed transition would result in TUOS locational prices that better reflect the pricing principles.⁷⁷
- We considered the 10-year transition period to phase out the average demand measure as a reasonable way to mitigate potential price shocks from changing the approach in TUOS locational pricing.⁷⁸ This aligned with the intent for the side constraint to limit the extent of price shocks for transmission network users.
- CCP23 and Aurizon supported the amendment to transition customers to locational charges based on peak demand only. Aurizon also submitted the transition period would also provide 'customers with an appropriate period to respond to the price signals of the proposed changes.'⁷⁹

In its submission to the proposed pricing methodology, Aurizon questioned the policy intent of the 2% side constraint after noting 'the application of the side constraint does not appear to be a limiting factor to the annual change in the locational price where all connection points increase by a similar amount.'⁸⁰

We consider the side constraint is a factor that limits the extent to which the ASRR for locational services can be rebalanced between the customers for those services. This assists in mitigating any price shocks that may occur as a result of such rebalancing. This is similar to the operation of the side constraint for electricity distribution.⁸¹ TNSPs are required by the NER to apply a 2% side constraint such that TUOS locational prices 'must not change by more than 2% on a load weighted average basis for the relevant region compared with the previous regulatory year.'⁸² Powerlink's TUOS locational prices can therefore increase across all connection points if the load weighted average is increasing. However, the side constraint limits how much individual prices can diverge from the load weighted average each year.⁸³

Aurizon stated it would be reasonably expected that its locational charges be subject to the protection of the 2% side constraint given it has stable maximum demand.⁸⁴ Aurizon also noted it does not control variations in demand from all connection points and the changes in the generation mix and dispatch, which influence the amount of costs allocated to a connection point.⁸⁵ Aurizon was concerned about how its TUOS locational prices would evolve over the period in response to substantive changes in network flows and investments.⁸⁶ Aurizon was concerned that the side constraint would not operate in this way

⁷⁷ NER clause 6A.23.4(b); AER, *Powerlink 2022-27 - Draft decision - Attachment 11 - Pricing methodology*, September 2021, pp 6–7.

⁷⁸ AER, *Powerlink 2022-27 - Draft decision - Attachment 11 - Pricing methodology*, September 2021, pp 6–7.

⁷⁹ AER, *Powerlink 2022-27 - Draft decision - Attachment 11 - Pricing methodology*, September 2021, pp 6–7.

⁸⁰ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 6.

⁸¹ NER, cl. 6.18.6; AEMC, *Rule Determination: Distribution Network Pricing Arrangements*, November 2014, p 26.

⁸² NER, cl. 6A.23.4(b)(2).

⁸³ NER, cl. 6A.23.4(b).

⁸⁴ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 5.

⁸⁵ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 5.

⁸⁶ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 5.

if all existing connection points may observe considerably higher lump sum allocations with significant increases in the ‘load weighted average TUOS locational price for the region’.⁸⁷

We agree with Aurizon that locational prices can increase (or decrease) in response to changes in expenditure forecasts that are unrelated to changes in demand. This is because a TNSP can increase (or decrease) its expenditure even in the absence of changes to its demand forecasts. Without changes in demand, a TNSP still needs to incur expenditure: both capex and operating expenditure (opex) to operate its network. Forecast expenditure can increase (or decrease) in an upcoming regulatory control period depending on factors such as asset condition and labour and material costs, which may not be directly affected by the levels of demand on an individual TNSP’s network. We are required to accept such forecasted expenditure in a revenue proposal if we are satisfied that it reasonably reflects, among other things, the efficient costs that a prudent operator would require to achieve both capital and operating expenditure objectives.⁸⁸

These expenditure changes flow through to changes to the revenue requirement, which is further subject to changes related to the indexation of the asset base and cost of capital, which can be independent of changes to demand.⁸⁹ These changes in the revenue requirement ultimately lead to changes in transmission prices, including locational prices. That is, an increase in the AARR could result in increases to the ASRR allocated to each prescribed transmission service categories and connection points.⁹⁰ An increase in the ASRR for the prescribed TUOS locational component, could in turn result in higher load weighted average TUOS locational price for the region.

There are also other factors that affect the level of locational prices, such as inter-regional settlement residue auction proceeds. The AEMC provided an example of how average intra-regional TUOS locational prices vary in line with average revenue (allowed revenue divided by demand). When settlement residue auction proceeds are accounted for, however, intra-regional TUOS locational prices can vary by up to 10% each year. Around this average intra-regional TUOS locational price of 10%, variations of up to 2% are permitted with the side constraint for individual TUOS locational prices.⁹¹

As a result, the side constraint only limits how TUOS locational prices change on a load weighted average basis for the region each year. The side constraint does not prevent individual price increases, reflecting prudent and efficient increases in expenditure, among other factors, at the start of a regulatory period, as raised by Aurizon.⁹²

⁸⁷ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 5.

⁸⁸ NER, cl. 6A.6.6(a) and (c), 6A.6.7(a) and (c).

⁸⁹ NER, cl. 6A.5.4(a)(1) and (2).

⁹⁰ NER, cl. 6A.23.2 and 6A.23.3.

⁹¹ NER, cl. 6A.23.3(b)(1); AEMC, *Rule Determination: Inter-regional transmission charging*, 28 February 2013, pp 40–41.

⁹² NER, cl. 6A.23.4(b)(2); Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 6–7.

8.4.4.3 Information disclosure for directly connected customers

Aurizon requested that the pricing methodology include a new section on information disclosure which requires, where requested by a directly connected customer, Powerlink to provide the following information in an annual price notification:⁹³

- the ORC value for the connection assets for an exit service
- the ORC value of all assets providing exit services
- the load weighted average TUOS locational price for the region
- the generation assets determined to be servicing the load at that connection point.

Our draft decision does not require any changes to the pricing methodology in response to this request. We do not consider the NER or the AER's Pricing Methodology Guidelines explicitly require Powerlink to provide this information to directly connected customers. However, Powerlink is also not restricted by the NER or the AER's Pricing Methodology Guidelines from providing this information.

In our draft decision, we encourage Powerlink to consult with stakeholders in preparing its revised proposal regarding information it can provide annually to assist such customers to better understand the drivers for changes in their transmission prices. As set out above, the pricing methodology gives effect to and is consistent with the pricing principles and complies with the requirements of our Pricing Methodology Guidelines (see sections 8.4.2 and 8.4.3). However, we consider Powerlink responding to this stakeholder feedback can serve to improve the transparency of the transmission pricing process and inform customers' decision making. The AEMC considered that setting transmission prices should be as transparent as practicable to give participants confidence that pricing outcomes will be consistent with the NEM Objective and the NER.⁹⁴ For example, Powerlink's annual information disclosure and notifications could include customer-specific information, the latest available inputs and assumptions described below.

We consider that customers like Aurizon would benefit from more transparency about the causes behind annual changes in prescribed transmission prices. Aurizon stated it was not clear how transmission prices would change due to Powerlink's proposed capex. Aurizon also raised that it received an estimate for prescribed connection fees for the 2027–32 regulatory period, showing what it considers to be unexpected increases in prescribed exit charges for Aurizon's connections.⁹⁵

Aurizon considered that being able to review ORC values would provide customers more insight regarding annual changes to prescribed connection fees.⁹⁶ Aurizon also considered that making the load weighted average TUOS locational price for the region and the generation assets servicing the load at its connection point available on request would

⁹³ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 9.

⁹⁴ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p 2.

⁹⁵ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 3–4.

⁹⁶ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 3–4.

provide customers more insight regarding how changes in maximum peak load and generation influence its location prices.⁹⁷

Powerlink does not consider it appropriate to share this requested information.⁹⁸ Powerlink described this asset information as confidential and commercially sensitive and not for disclosure to individual customers for the following reasons:⁹⁹

- The asset information, relating to ORC values, is market sensitive cost information because if disclosed to individual customers or published, it could affect Powerlink's ability to obtain competitive prices in future infrastructure transactions, such as tender processes. It noted this is consistent with Powerlink's preparation of the AER annual information orders, where asset replacement related information by asset category is kept confidential to ensure competitive tension is maintained in future delivery of work. The ORC values could allow individual transmission customers to make inferences about other customers' prices and charges.
- Generator asset information relating to critical infrastructure assets could affect the security of the network.¹⁰⁰ Disclosure of asset details could enable customers to infer information about the existence or nature of critical infrastructure assets, which may be subject to confidentiality obligations under the *Security of Critical Infrastructure Act 2018*.

Powerlink further described how it considered it had addressed Aurizon's issues and concerns through previous direct engagement. Powerlink noted it had engaged Aurizon in a series of meetings and correspondences in addition to providing a notification of its transmission prices.¹⁰¹ Powerlink also stated that it considered the existing annual pricing disclosure / notification when shared with appropriate customer-specific information, is more accurate and fit-for-purpose for customers to understand their prescribed transmission service prices, than the information requested by Aurizon.¹⁰²

We consider it is not clear that the information Powerlink provides is sufficient to address Aurizon's concerns or requests. Powerlink's existing notifications do not appear to provide insight on how network investments drive price increases as they set out the following:¹⁰³

⁹⁷ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 6.

⁹⁸ Powerlink, *RE: Powerlink - information request IR#031 – Transmission Pricing Methodology*, 14 July 2026, p 4.

⁹⁹ Powerlink, *RE: Powerlink - information request IR#034 – Transmission Pricing Methodology*, 27 July 2026, p 2.

¹⁰⁰ Powerlink is subject to obligations under the Security of Critical Infrastructure Act 2018 (Cth), including obligations relating to the protection of information about critical infrastructure assets. A generator that is contracted to provide a system restart ancillary service or has installed capacity of over 30 MW, and is connected to a wholesale electricity market is declared to be critical infrastructure (Security of Critical Infrastructure (Definitions) Rules (LIN 21/039) 2021, clause 5(1)(a)).

¹⁰¹ Powerlink, *RE: Powerlink - information request IR#034 – Transmission Pricing Methodology*, 22 July 2026, p 2.

¹⁰² Powerlink, *RE: Powerlink - information request IR#031 – Transmission Pricing Methodology*, 14 July 2026, p 4.

¹⁰³ Powerlink, *RE: Powerlink - information request IR#034 – Transmission Pricing Methodology*, 22 July 2026, p 2.

- the NER requirement to publish prescribed transmission prices by 15 March each year the period over which the prices will apply¹⁰⁴
- whether each connection point provides prescribed or negotiated transmission services
- the customer's nominated/maximum demand and each price by customer connection point and
- contact details for any further information or clarification.

We do not consider Powerlink's information disclosure and notifications to customers as described above include the customer-specific information, latest available inputs and assumptions that provide information behind changes in prices. This is despite Powerlink describing these notifications as using customer-specific information and the latest available inputs and assumptions used to calculate prescribed transmission prices. Powerlink also mentioned an internal review and assurance process for the transmission prices that it provides.¹⁰⁵ We do not see how the review and assurance process improves transparency for customers around price movements or drivers of these movements.

We acknowledge it may not be appropriate for Powerlink to provide the specific information Aurizon requested where there are confidentiality and security issues. However, we consider there is an opportunity for Powerlink to provide greater transparency and better explain the drivers of transmission pricing. The AEMC noted 'the process for setting [transmission] prices should be as transparent as practicable to give confidence that pricing outcomes will be consistent with the NEM Objective and the NER.'¹⁰⁶

For example, Powerlink stated the load-weighted average TUOS locational price for the region does not disclose the drivers of an individual customer's price movement. Powerlink considered customers may gain an incomplete or potentially misleading comparison from the regional average, unless accompanied by the broader customer-specific context.¹⁰⁷

We acknowledge Powerlink's view on providing the load-weighted average TUOS locational price would not explain changes to individual customer prices. While it does not disclose the drivers of an individual customer's price movement, we consider it can assist customers understand the drivers for changes to TUOS locational prices for the region as a whole. These include changes to capex and opex forecasts as discussed above and inter-regional settlements residues which we understand are a major driver of annual changes to locational prices. The regional load-weighted average locational price can still provide a starting point to assist a customer understand the drivers specific to its locational price.

Similarly, for example, we consider Powerlink could provide on request the ASRRs for all of the prescribed transmission service categories, after adjustments. This could assist

¹⁰⁴ NER, cl. 6A.24.2.

¹⁰⁵ Powerlink, *RE: Powerlink - information request IR#034 – Transmission Pricing Methodology*, 22 July 2026, p 2.

¹⁰⁶ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p 2.

¹⁰⁷ Powerlink, *RE: Powerlink - information request IR#034 – Transmission Pricing Methodology*, 27 July 2026, p 2.

customers understand the drivers for changes to prices for those services and provide a starting point to assist a customer understand the drivers of the specific prices it faces.

We therefore encourage Powerlink to consult with directly connected customers on the information it can provide, upon request, to enable better understanding of changes to transmission prices.

8.4.4.4 System strength

Aurizon’s submission questioned whether directly connected customers which fund SVCs or STATCOMs either privately, or through exit services, should be excluded from contributing towards system strength transmission services.¹⁰⁸ We understand these are transmission assets that manage the impact of unbalanced and fluctuating loads of rail networks.

Our draft decision does not include any amendments to the proposed pricing methodology. We consider the proposed pricing methodology implements the NER requirements relating to system strength transmission services (see sections 8.4.2.2 and 8.4.3) including the relevant cost recovery mechanisms. We do not consider SVCs and STATCOMs contribute to system strength or that the NER exempt customers from paying for costs associated with system strength transmission services.

Recovering costs of system strength transmission services

For background, it is important to note the broad components for recovering costs related to system strength system services under the NER:

- System strength charges: The NER provides that system strength transmission service users pay system strength charges for their use of system strength transmission services.¹⁰⁹ TNSPs forecast the revenues from levying the system strength charge annually under clause 6A.23.3A and subtract them from the ASRR for common services under NER clause 6A.23.3(h1)—thereby reducing the price for common services.
- Non-network system support payments: TNSPs expected system security related network support costs (including system strength payments for non-network solutions) annually. TNSPs add these estimated payments to the ASRR for common services—increasing the price for common services.¹¹⁰
- These non-network system support payments do not necessarily constitute all the costs of providing system strength transmission services. Costs of providing system strength transmission services can also be included in the revenue proposal for a regulatory control period, as forecast expenditure or contingent projects.
- True-ups: TNSPs true-up the above forecasts with the actual system strength revenues and expected non-network system support payments with the actual non-network system

¹⁰⁸ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 7–9.

¹⁰⁹ NER, cl. 6A.23.5. Consumers of system strength do not need to pay system strength charges if their connection agreement predates the AEMC’s *Efficient management of system strength* rule change in 2021 (see NER, cl. 5.3.4B AEMC, *Rule determination: Efficient management of system strength*, 21 October 2021, p 23).

¹¹⁰ NER, cl. 6A.23.3(h) and 6A.23.4(f). AEMC, *Rule determination: Improving security frameworks*, 28 March 2024, p 41.

support payments. TNSPs then add or subtract these true-up amounts from the ASRR for common services— increasing or decreasing the price for common services.¹¹¹

Aurizon argued the AEMC's *Efficient management of system strength* rule change did not consider the inequity of imposing system strength costs on directly connected customers required to address voltage regulation and stability through investment in SVCs. Aurizon also argued that other customers would be worse off without the Aurizon's load if the SVCs are removed.¹¹²

We consider there are no exemptions under the NER for directly connected customers from paying costs related to system strength transmission services as part of system strength charges and prices for common services. The AEMC noted that the revenue from system strength charges may differ from the costs of providing system strength transmission services each year.¹¹³ Further, that this difference will be recovered equally from all transmission customers without any differential based on where on the network those customers are connected (via the price for common services as noted above). This is because system strength transmission services provide different benefits to system strength transmission service users based on their location. However, from the perspective of most transmission customers who pay transmission prices (but do not consume system strength and so do not pay system strength charges), system strength transmission services do not provide any locational benefit (though they provide benefits through a more stable power system).¹¹⁴

We also do not consider that SVCs and STATCOMs contribute to system strength and funding these assets should not exempt customers from paying a share of the costs of system strength. We understand SVC and STATCOMs are required for customers to comply with connection requirements that limit the power factor of the load. Powerlink also stated that the SVCs Aurizon's submission is referring to are related to voltage balancing and reactive power compensation devices.¹¹⁵ SVC performance depends on the presence of adequate system strength in the surrounding network and they consume, rather than provide, system strength.¹¹⁶

Aurizon's submission also raised that Powerlink's revenue proposal included an estimated revenue requirement of \$476 million associated with providing system strength transmission services and that Powerlink would not recover all of these costs through system strength charges.¹¹⁷ Aurizon was concerned that the revenue proposal does not include an indication

¹¹¹ NER, cll. 6A.23.3(h)(3) and (h1).

¹¹² Aurizon, RE: [EXTERNAL SENDER] Aurizon's comments on Powerlink's pricing methodology, 13 July 2026, p 3.

¹¹³ AEMC, *Rule determination: Efficient management of system strength*, 21 October 2021, pp 26–27.

¹¹⁴ AEMC, *Rule determination: Efficient management of system strength*, 21 October 2021, pp i and 26–27.

¹¹⁵ Powerlink, *Response to information request IR#031 – Transmission Pricing Methodology*, 20 July 2026, p 2.

¹¹⁶ Powerlink, *Response to information request IR#031 – Transmission Pricing Methodology*, 20 July 2026, p 2.

¹¹⁷ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 8.

of the expected materiality of this shortfall and how much of it will need to be recovered from other transmission users.¹¹⁸

We note Powerlink provided the \$476 million revenue impact for illustrative purposes only, as significant work was still required to finalise the cost and timing associated with expenditure forecasts related to system strength at the time it submitted its revenue proposal.¹¹⁹ In any case, we assess the expenditure forecasts underpinning the estimated revenue impact against the requirements of the NER (as part of our assessment of Powerlink’s capex and opex forecasts as we note in section 8.4.4.2).¹²⁰

Importantly, TNSPs true-up their estimated system strength revenues and non-network system support payments with the actual values (see the ‘Recovering costs of system strength transmission services’ text box above). That is, they do not true-up relative to \$476 million or equivalent figure arising out of our draft decision. System strength revenues are based on the forward-looking costs of providing system strength transmission services at particular locations, and so may not have a direct one-for-one correlation with the revenue requirement for a particular regulatory control period. For example, TNSPs must calculate system strength unit prices, which input into estimated system strength revenues, using long run average costs over a 10-year forecast period.¹²¹ Meanwhile, non-network system support payments do not form part of a TNSP’s revenue requirement, but are annual adjustments that input into the calculation of prices for common services.

8.4.4.5 TUOS locational pricing by MW or MVA

Aurizon’s submission questioned whether TUOS locational pricing should be based on MVA rather than MW.¹²²

Our draft decision does not require amendments to the pricing methodology in relation to the basis for TUOS locational prices. The proposed approach (MW) complies with the NER and Pricing Methodology Guidelines and continues the approach approved in the 2022–27 determination.¹²³ We have not found any precedent among TNSPs or recent discussion among stakeholders to support any change. However, we encourage Powerlink to engage with stakeholders about the possibility of TUOS locational pricing based on MVA in the future. This includes as we understand there are technical advantages to measuring TUOS locational pricing by MVA.

For background, TNSPs are required by the NER to derive locational prices based on demand at times of greatest utilisation of the transmission network by customers for which network investment is most likely to be contemplated.¹²⁴

¹¹⁸ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 8.

¹¹⁹ Powerlink, *2027-32 - Appendix 10.01 - Pricing Impact Scenarios*, January 2026, p 4.

¹²⁰ Attachments 2 and 3 of the AER’s draft decision contain our decisions on Powerlink’s capex and opex forecasts, respectively.

¹²¹ NER, cl. 6A.25.2(h); AER, [Final amendments to pricing methodology guidelines](#), 3 July 2025, p 17.

¹²² Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, pp 8–9.

¹²³ AER, *Powerlink 2022-27 - Draft decision - Attachment 11 - Pricing methodology*, September 2021, pp 6–7.

¹²⁴ NER, cl. 6A.23.4(b)(1).

Our Pricing Methodology Guidelines currently require TNSPs to measure demand to derive the locational price at each transmission connection point expressed as \$/MW/day.¹²⁵

TNSPs may propose an alternative pricing structure for locational prices, but are required to clearly demonstrate to us that the alternative pricing structure:¹²⁶

- gives effect to, and is consistent with the pricing principles for prescribed transmission services in the NER
- improves on the permitted pricing structures
- contributes to the national electricity objective.

Powerlink previously discussed a potential change to MVA TUOS locational pricing with its stakeholders in its transmission pricing consultation process for its 2022–27 revenue proposal. Powerlink decided at that time to not pursue the change to MVA pricing.¹²⁷ Stakeholders considered that TUOS locational pricing by MVA would require changes to the NER, lacked a precedent elsewhere and might impact wider reviews, such as the Energy Security Board's Post-2025 Market Design project.¹²⁸

Powerlink explained that it has not reassessed this issue, or received requests from other stakeholders to measure demand for TUOS locational pricing by MVA since the 2022–27 revenue determination.¹²⁹ Powerlink also noted that no other TNSP in Australia is pricing for prescribed TUOS locational services by MVA.¹³⁰

Nevertheless, we understand MVA may have advantages for deriving locational prices. This includes how TNSP investment in network capacity is driven largely by thermal ratings, and MVA better represents the current drawn from, or supplied to, the transmission network. MVA may therefore be a more cost reflective measure.

We therefore encourage Powerlink to explore the use of MVA for TUOS locational pricing for its revised proposal, including if / how this may be considered in the future.

8.4.4.6 Appropriate use of prudent discounts

Aurizon asked if prudent discounts to the common and TUOS non-locational charges 'are appropriate to offset increases in TUOS locational charges above CPI + 2% for a connection point.'¹³¹ In particular, in circumstances where there is no material increase in maximum demand, and the electricity demand is contestable with other energy sources (i.e. diesel

¹²⁵ Section 2.2(c) of the AER's Pricing Methodology Guidelines.

¹²⁶ Section 2.2(e) of the AER's Pricing Methodology Guidelines.

¹²⁷ Powerlink, *Appendix 16.04 - Transmission Pricing Consultation Final Positions Paper*, November 2020, pp 11–12.

¹²⁸ Powerlink, *Appendix 16.04 - Transmission Pricing Consultation Final Positions Paper*, November 2020, pp 11–12.

¹²⁹ Powerlink, *Response to information request IR#031 – Transmission Pricing Methodology*, 14 July 2026, pp 3–4.

¹³⁰ Powerlink, *Appendix 16.04 - Transmission Pricing Consultation Final Positions Paper*, November 2020, pp 11–12.

¹³¹ Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 7.

locomotives), to better promote the National Electricity Objective.¹³² Aurizon also suggested prudent discounts can be applied to a directly connected customer which fund connection assets providing indirect system strength benefits to other customers. Aurizon stated other customers would be worse off without Aurizon Network's load and its SVCs.¹³³

Our draft decision does not require amendments to the pricing methodology in response to Aurizon's comment regarding prudent discounts. We do not consider it appropriate to use prudent discounts to reduce the common and TUOS non-locational charges in the situations Aurizon described. We do not consider the described situations as above constitute either a technical by-pass or a technical bypass where prudent discounts would apply.

TNSPs may (but are not required to) agree to charge lower prices for common services and TUOS non-locational services.¹³⁴ Prudent discounts are intended to prevent inefficient by-pass of the transmission network by a transmission user. 'By-pass' in this context refers to:¹³⁵

- technical by-pass – such as the development of a duplicate transmission line from a power station to a large load; as well as
- economic by-pass – such as a decision to not invest in or expand a load or to shut down an existing operation.

A by-pass is inefficient if an alternative option has a lower cost only because transmission charges are greater than the incremental costs.¹³⁶

¹³² Aurizon, *Submission - Powerlink 2027-32 electricity transmission revenue proposal*, May 2026, p 7.

¹³³ Aurizon, *RE: [EXTERNAL SENDER] Aurizon's comments on Powerlink's pricing methodology*, 13 July 2026, p 3.

¹³⁴ NER, cl. 6A.26.1.

¹³⁵ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p 52.

¹³⁶ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p 52.

Glossary

Term	Definition
AARR	aggregate annual revenue requirement
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
ASRR	annual service revenue requirement
CCP23	consumer challenge panel sub panel 23
CCP34	consumer challenge panel sub panel 34
CNSP	co-ordinating network service provider
MAR	maximum allowed revenue
MLEC	modified load export charges
MVA	megavolt-amperes
MW	megawatts
NER	national electricity rules
ORC	optimised replacement costs
STATCOM	static synchronous compensator
SVC	static var compensator
TNSP	transmission network service provider
TUOS	transmission use of system