

Draft Decision

Powerlink electricity transmission determination 2027 to 2032

(1 July 2027 to 30 June 2032)

Overview

September 2026

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Version	Date	Pages
1	30 September 2026	61

Invitation for submissions

Powerlink Queensland (ABN 82 07 849 233) is a regulated transmission network service provider (TNSP). It has the opportunity to submit a revised proposal in response to this draft decision by 2 December 2026.

Interested stakeholders are invited to make a submission on both our draft decision and Powerlink's revised proposal (once submitted) by 19 January 2027.

Submissions should be sent to AERresets2027-32@aer.gov.au and addressed to the General Manager, Network Pricing. Alternatively, you can mail submissions to GPO Box 3131, Canberra ACT 2601.

Submissions should be in Microsoft Word or another text-readable document format.

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. We will treat submissions as public documents unless otherwise requested.

We request that parties wishing to submit confidential information clearly identify the information that is the subject of the confidentiality claim and provide a non-confidential version of the submission in a form suitable for publication.

Pre-determination conference

We will be hosting a public forum on 22 October 2026 to explain our draft decision.

Consumer engagement is a valuable input to our determination, and we encourage all interested stakeholders to join us.

Details of how to register for this forum are available on our website and through [Eventbrite](#).

List of attachments

This attachment forms part of the Australian Energy Regulator's (AER's) draft decision on the transmission determination that will apply to Powerlink for the 2027–32 regulatory control period. It should be read with all other parts of the draft decision.

The draft decision includes the following attachments:

Overview

Attachment 1 – Building block approach: Maximum allowed revenue, Regulatory asset base, Regulatory depreciation and Corporate income tax

Attachment 2 – Capital expenditure

Attachment 3 – Operating expenditure

Attachment 4 – Pass through events

Attachment 5 – Efficiency benefit sharing scheme

Attachment 6 – Capital expenditure sharing scheme

Attachment 7 – Service target performance incentive scheme

Attachment 8 – Pricing methodology

Executive summary

The Australian Energy Regulator (AER) is responsible for the economic regulation of electricity transmission and distribution systems in all states and territories except Western Australia. We exist to ensure energy consumers are better off, now and in the future. We focus on ensuring a secure, reliable and affordable energy future for Australia as we transition to net zero emissions.

The National Electricity Law (NEL) and National Electricity Rules (NER) provide the regulatory framework under which we determine the revenue requirement for electricity transmission businesses. We must make our decision in a manner that will, or is likely to, deliver efficient outcomes in terms of the price, quality, safety, reliability and security of electricity supply that will benefit consumers in the long term. Our decision must also consider targets for reducing Australia's greenhouse gas emissions, as required under the National Electricity Objective (NEO).

Networks are experiencing increasing operational complexity alongside new challenges affecting the reliability and security of the energy system. We recognise that current market factors are contributing to rising network costs, such as supply chain pressures, increasing labour costs, higher interest rates and increasing new connections across the National Electricity Market (NEM). While these trends may require additional investment, material increases in expenditure must be supported by robust evidence and demonstrated to be prudent and efficient in accordance with the NER and the AER's expenditure assessment framework. We will closely scrutinise the need, timing and efficiency of proposed expenditure, with a clear focus on affordability and ensuring consumers pay no more than necessary for safe, secure and reliable electricity services.

This draft decision is for Powerlink Queensland's (Powerlink's) electricity transmission determination for the period from 1 July 2027 to 30 June 2032 (2027–32 period). Our draft decision would allow Powerlink to recover total revenue of \$5,694.1 million (\$ nominal, smoothed) over the 2027–32 period. This is \$16.1 million (or 0.3%) less than the \$5,710.2 million that Powerlink proposed. It is \$1,755.0 million (or 44.6%) higher than the revenue we approved for the current period, which runs from 1 July 2022 to 30 June 2027 (2022–27 period).

Our draft decision reflects a higher revenue requirement compared to the 2022–27 period in part due to macroeconomic factors. We estimate that about 54.2% of the increase in revenue compared to the 2022–27 period is driven by higher interest rates and inflation. Compared to our final decision for the 2022–27 period, when interest rates were at historic lows, this draft decision applies a higher rate of return (1.43 percentage points¹) to the regulatory asset base.

We have made reductions to Powerlink's forecast expenditure as we are not yet satisfied it is prudent and efficient

Our draft decision differs from Powerlink's proposal in our assessment of the prudent and efficient expenditure it will require in 2027–32 in order to continue to operate its network in accordance with its regulatory obligations.

¹ This is the difference between the 5-year average WACC over the 2027–32 period and the 2022–27 period.

Powerlink's proposal is characterised by a significant uplift in expenditure. Its forecast capital expenditure (capex) of \$2,499.5 million (\$2026–27) is \$911.3 million, or 57.4%, above the \$1,588.1 million actual/estimate for the 2022–27 period and \$1,424.7 million, or 132.5%, above the AER's forecast of \$1,074.8 million for the 2022–27 period.² The increase spans most capex categories but is predominantly driven by a \$515.8 million, or 44.8%, increase in replacement expenditure, and follows an overspend on the regulatory allowance in the 2022–27 period.

By contrast, relatively little growth-related capex is included in the forecast, with much of the prospective augmentation program instead presented as contingent projects that would further significantly increase Powerlink's forecast capex if those projects were to go ahead. The broader expenditure outlook is larger again, as the Gladstone Project and system strength investment both sit outside Powerlink's proposal.

Powerlink has also proposed operating expenditure (opex) of \$1,832.2 million, which is \$307.8 million, or 20.2 per cent, above the \$1,524.4 million actual/estimate for the 2022–27 period and \$539.3 million, or 41.7%, above the AER's forecast of \$1,292.9 million for the 2022–27 period.³ This forecast is materially influenced by the choice of 2025–26 as the opex base year, which captures recent increases in labour and staffing costs.

Given the scale of the proposed expenditure uplift, it is important that Powerlink's supporting information and analysis demonstrate that the forecasts are prudent and efficient. We expect compelling evidence commensurate with the significant increases being proposed. However, in many areas across capex and opex, this evidence is lacking. We are not yet satisfied that Powerlink's forecast expenditure is prudent and efficient, and as a consequence our alternative forecasts are substantially lower.

This draft decision sets out our assessment of Powerlink's proposal and the further work we now encourage it to undertake in its revised proposal to achieve the best possible outcomes for consumers.

Capital expenditure

Our draft decision is to not accept Powerlink's proposed total forecast capex of \$2,499.5 million (\$2026–27) for the 2027–32 period. Our alternative estimate is \$1,140.0 million, which is \$1,359.5 million (54.4%) lower than Powerlink's proposal. We have accepted prudent and efficient expenditure for a number of key projects in Powerlink's proposal, including fleet capex, property capex for its Gladstone Hub depot and business-as-usual property programs. However, in other areas, Powerlink has not yet provided sufficient evidence to substantiate expenditure increases of the magnitude put forward in its capex proposal. We identified a number of key issues including overstated risks and insufficiently supported expenditure for opportunistic replacement, security and compliance and easements. We also found Powerlink's forecasting approach overestimates its capitalised overheads. We encourage Powerlink to undertake further analysis and provide additional supporting information to address these concerns in its revised proposal.

We rigorously assessed Powerlink's proposed contingent projects and found that none met the requirements of the NER to be included as contingent projects. We found that the

² Powerlink's 2022–27 actual/estimates are based on Powerlink's latest restated capex as part of information request 026, which is still subject to assurance by Powerlink.

³ All opex figures are inclusive of debt raising costs.

Northern Bowen Basin Reinforcement and Surat Basin Area Network Development contingent projects may be sufficiently certain that these could be included as augex in the 2027–32 period. Powerlink’s proposed system strength contingent project may also be more appropriate to be included as augex in the 2027–32 period. In reviewing Powerlink’s supporting information for contingent projects, we found it did not adequately demonstrate that the trigger events were probable during the 2027–32 period; in some cases, the triggers were not sufficiently specific or objectively verifiable, or the need for the project had not been established. Our draft decision preserves the role of contingent projects as a mechanism for genuinely uncertain future needs, while ensuring that foreseeable expenditure remains subject to the full ex-ante assessment of prudence, efficiency and consumer engagement.

Powerlink proposed a capex overspend in the ex-post period (2020–25) of \$63.4 million (nominal), or 6.3%. Our draft decision finds the overspend to be \$101.8 million (\$2026–27) or 8.9% following a review of the expenditure and inclusion of Powerlink’s Pinkenba site purchase as an asset providing prescribed transmission services. Our draft decision is to accept the overspend as we consider it reasonably reflects the capex criteria.⁴ We reviewed Powerlink’s capex overspend in line with the ex-post staged review process set out in the AER’s Capital Expenditure Incentive Guideline for Electricity Service Providers.⁵ The inclusion of the Pinkenba site purchase and higher capex overspend results in a higher capital expenditure sharing scheme (CESS) penalty of \$161.5 million, which is \$25.1 million higher than Powerlink’s proposed penalty of \$136.4 million.⁶

Operating expenditure

Our draft decision is to not accept Powerlink’s total opex forecast of \$1,832.2 million (\$2026–27) for the 2027–32 period. Our alternative estimate is \$1,563.5 million, which is \$268.7 million (14.7%) lower than Powerlink’s proposal. This difference is primarily driven by our alternative estimate using 2023–24 as the base year rather than the estimate of 2025–26 opex as proposed by Powerlink.

Powerlink’s actual and estimated opex grew significantly over the 2022–27 period, driven by substantial growth in its workforce and the implementation of a new enterprise bargaining agreement (EBA) mid-period. Powerlink has not yet provided us information demonstrating these cost increases are prudent and efficient, or otherwise required to provide prescribed transmission services. In the absence of this information, we have relied on Powerlink’s audited, actual opex in 2023–24. Opex in this year is less affected by cost increases from the workforce growth and the new EBA than opex in either 2024–25 or 2025–26. We note that accepting the EBA outcome without testing efficiency would provide no incentive to Powerlink to negotiate an efficient EBA. We consider using opex from either of these years as a base would result in an opex forecast that is inconsistent with the opex criteria as it would not reasonably reflect the prudent and efficient costs Powerlink needs to deliver the required services over the next regulatory period.

⁴ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 48; Powerlink, *Response to information request 016: Final Year adjustment for Pinkenba Site – Question 1*, May 2026; Powerlink, *Response to information request 026: Restating Ex-Post Capex*, July 2026; Powerlink, *Response to information request 033: Follow on adjustments to RFM – Question 2*, July 2026.

⁵ AER, [Capital Expenditure Incentive Guideline](#), August 2025.

⁶ We note that the CESS calculation applies to the current 2022–27 period, which is different to the ex-post period of 2020–25.

Powerlink proposed three opex step changes totalling \$85.1 million over the 2027–32 period to support its transition to cloud-based solutions, enhance physical security arrangements and implement overnight network monitoring capabilities. Our draft decision does not accept all proposed expenditure, applying a substitute forecast where Powerlink has not yet demonstrated that the proposed costs were prudent, efficient and incremental to its base year expenditure. While we recognise Powerlink faces growing complexity in planning, maintaining, operating and securing its transmission network, we require additional supporting analysis to demonstrate the prudence and efficiency of its proposed ICT projects. We are open to accepting this expenditure should Powerlink provide sufficient information and analysis that demonstrates this expenditure is prudent and efficient.

Our draft decision focuses on key areas identified in our issues paper, is informed by stakeholder feedback and our recent decisions

In our issues paper, we identified preliminary issues that would be central to our assessment of Powerlink’s proposal. The prudence and efficiency of Powerlink’s proposed replacement expenditure, which accounts for 66% of the total capex forecast, current period capex and the ex-post review, contingent projects and the efficiency of Powerlink’s forecast opex were all identified as key issues. These issues have remained the focus of our assessment.

We recognise the quality of Powerlink’s consumer engagement, and that its revenue proposal has been influenced by this. We have closely considered the outcomes of Powerlink’s consumer engagement as well as stakeholder submissions in making our draft decision. Powerlink has proposed significant uplifts in capex and opex relative to previous periods. Even where it is possible to say that its proposal is reflective of consumer views and preferences, this does not displace the AER’s role in carefully testing and assessing the prudence and efficiency of proposed expenditure.

Our role under the NER is to independently assess whether Powerlink’s expenditure reasonably reflects the expenditure criteria and addresses consumer concerns. Where we are not satisfied, we must determine an alternative forecast that will deliver their preferred outcomes in a way that is prudent and efficient. This is how we ensure that consumers pay no more than necessary for safe, secure and reliable energy supply that meets their needs and delivers their preferred outcomes.

Our close scrutiny of Powerlink’s forecast expenditure is consistent with what we heard from stakeholders, with submissions highlighting concerns regarding the significant uplift in opex and capex. Submissions noted the need for the AER to closely review forecasting methodologies, cost estimation and assumptions as well as project timing and scope to ensure capex programs are fully justified and costs are tested.⁷ We considered stakeholder concerns regarding the deliverability of Powerlink’s proposed scope of works and have identified a deliverability risk assessment as a key analysis gap.

Powerlink’s opportunity to respond to our draft decision

In this Overview and the accompanying attachments, we have set out the assessment approaches applied and enquiries made as part of our review, which have enabled us to

⁷ Revenue Proposal Reference Group (RPRG), [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 9 and Consumer Challenge Panel sub panel 34 (CCP34), [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 10–12 and 26–34.

arrive at this draft decision. This draft decision is the midpoint in our assessment of Powerlink's proposal.

Powerlink has an opportunity to submit a revised proposal in response to this draft decision. Under the NER, Powerlink may only make revisions so as to incorporate the substance of changes required by, or addressing matters raised in, the draft decision.⁸

We welcome any submissions from stakeholders on our draft decision and Powerlink's upcoming revised proposal.

⁸ NER, cl 6A.12.3(b)(1).

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1 Our draft decision

Our draft decision would allow Powerlink to recover total revenue of \$5,694.1 million (\$ nominal, smoothed) from consumers from 1 July 2027 to 30 June 2032.

Our draft decision is \$16.1 million (0.3%) lower than Powerlink's proposal of \$5,710.2 million, in nominal terms. While our draft decision reduces Powerlink's forecast capex and opex, these reductions are mostly offset by higher revenue adjustments and changes in key market variables, including a higher rate of return, and a lower expected inflation rate.⁹

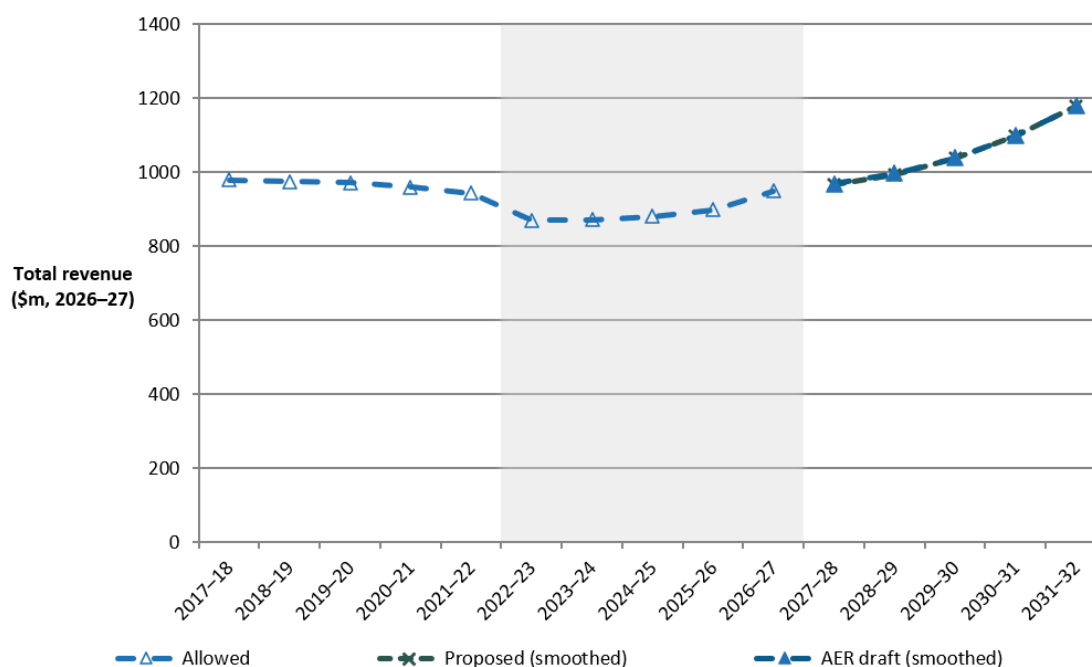
In the sections below, we briefly outline what is driving Powerlink's revenue, and the key differences between our draft decision and Powerlink's proposal.

1.1 What is driving revenue?

Revenue is driven by changes in real costs and inflation. To compare revenue from one period to the next on a like-for-like basis in this section, we use 'real' values based on a common year (2026–27) that have been adjusted for the impact of inflation.¹⁰

In real terms, this draft decision would allow Powerlink to recover \$5,279.5 million (\$2026–27, smoothed) from consumers over the 2027–32 period. This is 18.2% higher than what was approved for the current 2022–27 period. Changes in Powerlink's revenue over time are shown in Figure 1, along with our draft decision smoothed revenue for the 2027–32 period compared to what Powerlink proposed.

Figure 1 Changes in regulated revenue over time (\$ million, 2026–27)



Source: AER analysis.

⁹ A lower expected inflation rate means a higher real rate of return being earned by the business.

¹⁰ That is, 30 June 2027 dollar terms.

Figure 2 highlights the key drivers of the change in real terms between the revenue approved for Powerlink for the 2022–27 period and in this draft decision for the 2027–32 period. It shows that our draft decision provides for increases in the following building blocks:

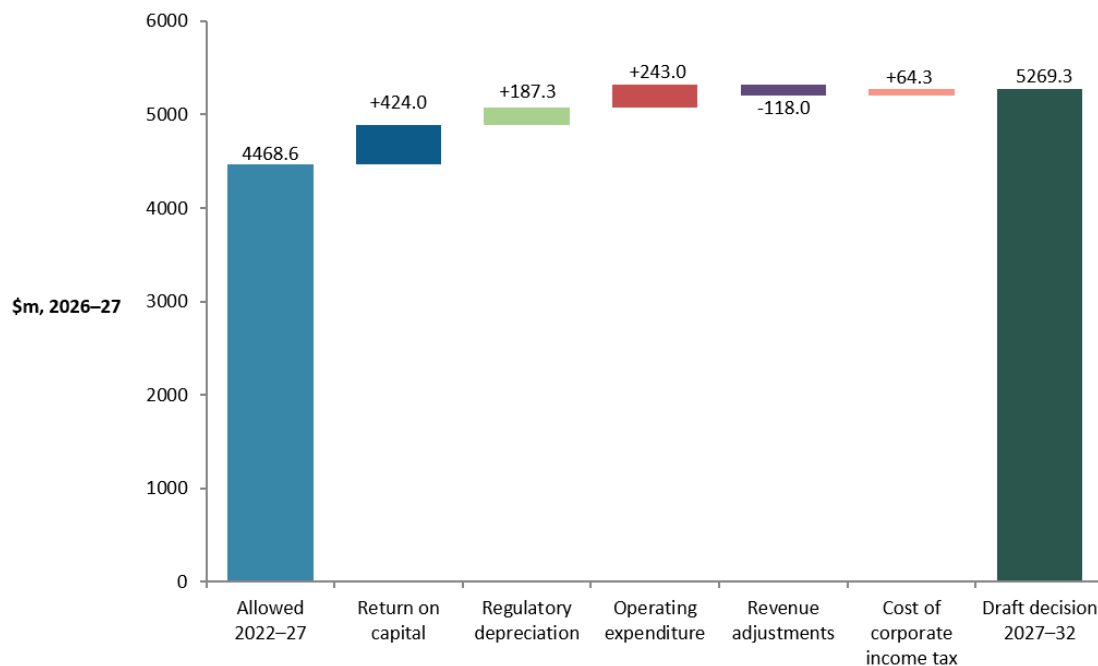
- return on capital, which is based on the opening regulatory asset base (RAB), forecast capex and the rate of return. This is \$424.0 million (19.6%) higher than in the 2022–27 period, driven by:
 - a higher opening RAB than was forecast at the 2022–27 determination. This is primarily driven by higher actual inflation outcomes than expected at the 2022–27 determination and an estimated capex overspend for the 2022–27 period
 - higher forecast capex in the 2027–32 period compared to the 2022–27 period, which is added to the RAB and earns a return on capital over the 2027–32 period
 - a higher rate of return being applied in the 2027–32 period, reflecting changes in financial market data in accordance with the 2022 *Rate of Return Instrument*.¹¹
- regulatory depreciation, which is \$187.3 million (20.2%) higher than the 2022–27 period. This is primarily driven by a higher opening RAB, and a higher forecast capex in the 2027–32 period, which increases straight line depreciation. The lower expected inflation, which reduces indexation on the RAB,¹² also increases the regulatory depreciation amount compared to the 2022–27 period.
- forecast opex, which is \$270.6 million (20.9%) higher than the 2022–27 period, reflecting Powerlink’s rapid opex growth over the 2022–27 period resulting from higher base year opex.
- cost of corporate income tax, which is \$64.3 million (115.4%) higher than the forecast at the 2022–27 determination. This is primarily driven by a higher return on equity and higher regulatory depreciation in the 2027–32 period, which increase taxable income. This increase is partially offset by higher tax depreciation (a deductible expense), driven by higher forecast capex and immediate expensing of capex.

These increases are partially offset by our draft decision on revenue adjustments, which are \$118.0 million lower than in the 2022–27 period. This reduction mainly reflects an increase to the CESS penalty arising from the 2022–27 period.

¹¹ The new *Rate of Return Instrument* is expected to be published in December 2026 and will apply in our final decision for Powerlink in April 2027.

¹² Regulatory depreciation is calculated as straight-line depreciation less indexation of the RAB. A lower expected inflation rate reduces indexation of the RAB and therefore increases regulatory depreciation, all else being equal.

Figure 2 Changes in total revenue between 2022–27 period and 2027–32 period (\$ million, 2026–27, unsmoothed)

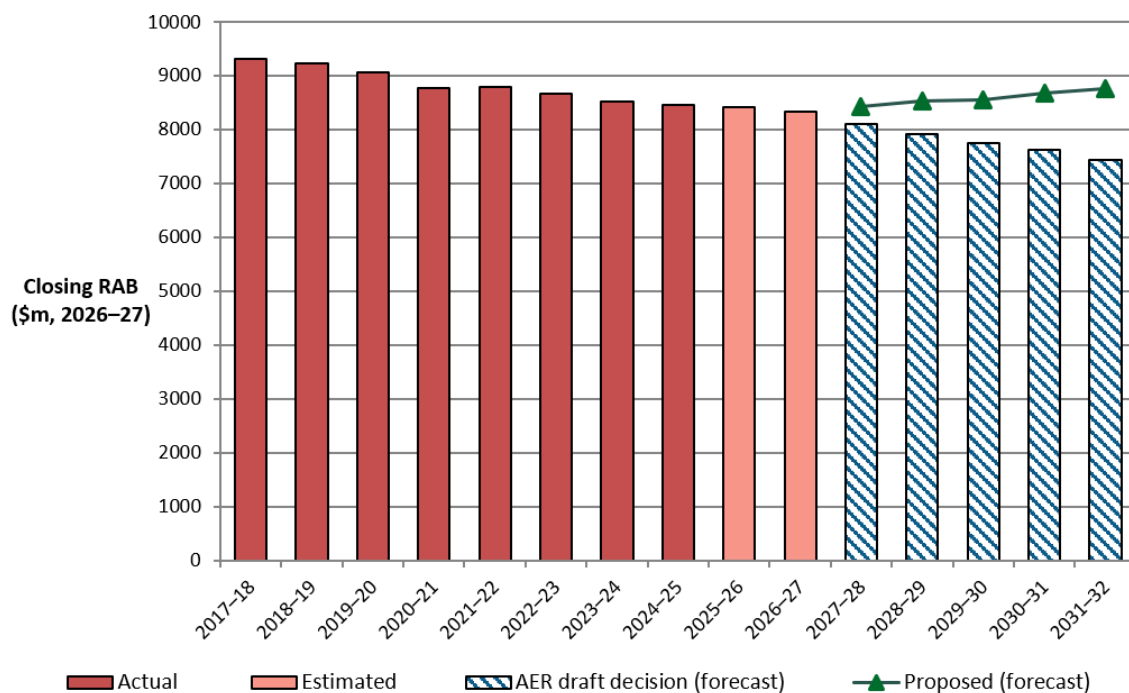


Source: AER analysis.

Note: This comparison is based on converting nominal forecast amounts into real dollar terms using lagged CPI.

Figure 3 shows the value of Powerlink’s RAB over time, in real terms. Our draft decision forecasts a RAB reduction of \$907.6 million (10.9%) over the 2027–32 period, compared to Powerlink’s proposal which forecast a RAB growth of \$430.7 million (5.2%).

Figure 3 Powerlink’s RAB value over time (\$ million, 2026–27)



Source: AER analysis.

1.2 Key differences between our draft decision and Powerlink’s proposal

We determine a total annual building block revenue requirement of \$5,676.6 million (\$nominal, unsmoothed) for Powerlink over the 2027–32 period.¹³ This amount reflects our draft decision on the various building block costs and represents a decrease of \$25.4 million (0.4%) relative to Powerlink’s proposal of \$5,702.0 million (\$ nominal, unsmoothed).

The main areas of difference between our draft decision and Powerlink’s proposal include:

- lower forecast capex, which is \$1,359.5 million (54.4%) lower than Powerlink’s proposal, reflecting significant gaps in the analysis supporting proposed replacement, property, easements, ICT, cyber-security and capitalised overheads expenditure that was not demonstrated to be prudent and efficient (section 2.5).¹⁴
- lower forecast opex, which is \$268.7 million (14.7%) less than Powerlink’s proposal, driven primarily by our use of audited actual opex in 2023–24 as the base year rather than Powerlink’s proposed estimate of 2025–26 opex, and substitute forecasts where proposed step-change costs were not demonstrated to be prudent, efficient and incremental (section 2.6).¹⁵
- higher revenue adjustments, mainly driven by our draft decision to apply a net efficiency benefit sharing scheme (EBSS) benefit payment instead of the EBSS penalty in Powerlink’s proposal (section 2.8).

Movements in market variables also contributed to different revenue outcomes in our draft decision compared to Powerlink’s proposal.¹⁶ These include:

- our update to the consumer price index (CPI) input for 2025–26 in the RAB roll forward model (RFM), which is higher than the estimated value adopted by Powerlink in its proposal. This update has led to a higher opening RAB as at 1 July 2027 compared to Powerlink’s proposal (section 2.2)
- our update of Powerlink’s rate of return, which increased to 6.41% from Powerlink’s placeholder estimate of 6.29% (section 2.3).¹⁷ While we have made significant reductions to Powerlink’s proposed forecast capex, the higher rate of return and higher opening RAB have largely offset the resulting reduction in the return on capital from the lower forecast capex

¹³ Our draft decision smoothed revenue is \$5,694.1 million, which is \$17.5 million higher than the unsmoothed revenue because smoothing defers some revenue recovery to later years of the period. While smoothed and unsmoothed revenues are equal in net present value terms, recovering a greater proportion of revenue in later years results in a higher nominal total revenue due to the impact of the time value of money.

¹⁴ Exclusive of adjustments to capex for movements in capitalised provisions.

¹⁵ Exclusive of debt raising costs.

¹⁶ These updates in market variables are a standard part of our decision-making process and do not reflect areas of difference between us and Powerlink.

¹⁷ These are rate of return figures for the first year of the regulatory control period; the rate of return will be updated annually, as discussed in section 2.3.

- our update for a lower expected inflation (section 2.3), based on the Reserve Bank of Australia's (RBA) August 2026 *Statement on Monetary Policy* (2.45% per annum compared with 2.60% per annum in Powerlink's proposal). The impact of lower expected inflation is to reduce the RAB indexation, which has more than offset the resulting reduction in straight-line depreciation from the lower forecast capex to produce a higher regulatory depreciation amount (section 2.4).¹⁸

Updates to these market variables have also contributed to a higher cost of corporate income tax than in Powerlink's proposal, reflecting higher regulatory depreciation, which increases taxable income. The lower tax depreciation resulting from lower forecast capex and lower forecast immediate expensing of capex, also increases the taxable income by reducing deductible tax expenses (section 2.7).

1.3 Expected impact of our draft decision on transmission charges

Powerlink recovers its transmission regulated revenue through transmission charges, set annually in accordance with the pricing methodology approved by us as part of this determination. Our draft decision is to accept the proposed pricing methodology, as discussed in section 4.

For illustrative purposes only, we estimate the modelled impact of this draft decision would be a total increase to Powerlink's transmission charges of around 11.3% in real terms by 2031–32 compared to current 2026–27 levels, or an average increase of 2.2% per annum.¹⁹

Although the total revenue requirement is increasing, forecast electricity throughput on the Queensland transmission network is also expected to rise by 12.0% over the 5 years to 2032.²⁰

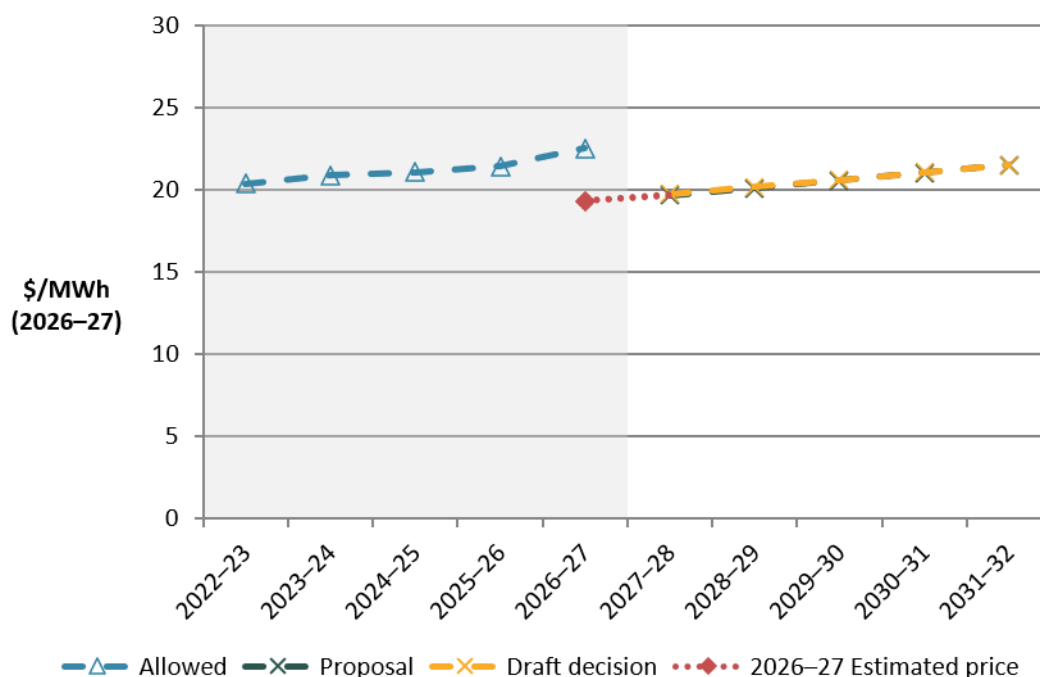
This is expected to moderate the rise in transmission charges. This estimate will be subject to ongoing revenue adjustments and changes in consumer energy consumption during the 2027–32 period.

Figure 4 compares this indicative price path for the 2027–32 period to the 2022–27 period.

¹⁸ Regulatory depreciation is calculated as straight-line depreciation less indexation of the RAB. A lower expected inflation rate reduces indexation of the RAB and therefore increases regulatory depreciation, all else being equal.

¹⁹ The average increase in indicative network charges of 2.2% per annum (\$2026–27) reflects both the smoothed revenue increase of 4.5% per annum (\$2026–27) and forecast growth in energy delivered of 2.3% per annum (\$2026–27).

²⁰ Based on operational sent-out forecast data for Queensland in AEMO's 2025 Electricity Statement of Opportunities (ESOO), converted to a transmission-delivered basis; AEMO, *National Electricity and Gas forecasting - 2025 Electricity Statement of Opportunities (ESOO)*, Accessed on 28 August 2026; and Powerlink, *Response to AER information request IR#016 Q8 – General Modelling Clarifications*, 15 May 2026, pp 7–9.

Figure 4 Change in indicative charges for 2022–27 to 2027–32 (\$2026–27, \$/MWh)

Source: AER analysis.

Notes: The estimated price for 2026–27 is based on the latest forecast of energy delivered, which is higher than the forecast used to calculate the allowed price path in the 2022–27 final decision.

Powerlink's transmission charges make up around 7.7% of its residential customers' and 7.9% of its small business customers' electricity bills.²¹ Other components of the electricity supply chain also contribute to the prices ultimately paid by consumers. These are the cost of purchasing energy from the wholesale market, distribution network charges, environmental scheme costs and the costs and margins applied by electricity retailers. These components of the bill sit outside this revenue determination and will also continue to change throughout the period.

Our draft decision does not include indicative bill impacts. Material expenditure remains outside the draft decision, including expenditure associated with the Gladstone Project discussed in section 5 and the system strength contingent project. We also recognise that aspects of the draft decision, including capex and opex, may change in response to Powerlink's revised proposal. Accordingly, any indicative bill impacts estimated at this stage could differ substantially from those presented in the final decision.

1.4 Powerlink's stakeholder engagement

High quality stakeholder engagement is critical to developing a revenue proposal that supports the delivery of services and outcomes that reflect consumers' needs.

²¹ Based on a flat rate residential and small business customer with a total annual electricity usage of 4,600 and 10,000 kWh per year respectively; AER, *Default Market Offer 2025–26: Final determination*, May 2025, p 7; Energex, *2026–27 Pricing Proposal Overview*, 30 March 2026.

Our framework for considering stakeholder engagement in network revenue determinations is set out in the Better Resets Handbook.²² The framework is principles based and focuses on providing networks with broad guidance on conducting genuine and effective engagement. We expect networks to tailor their engagement to suit the needs and circumstances of their consumers.

Consumer support alone does not guarantee any one or more of the assessment criteria have been met in respect of a TNSP's total capex or opex forecast or of any individual projects or programs that have informed those forecasts. In developing proposals to address consumers' concerns, we expect TNSPs to identify, test (including through engagement), and choose from credible options and solutions that it can satisfy us will—when included in a total capex or opex forecast—reasonably reflect the expenditure criteria.

Where consumers have been engaged on the outcomes Powerlink seeks to achieve, our role is to now carefully assess the prudence and efficiency of the expenditure Powerlink has submitted as necessary to deliver them.

The NER requires us to have regard to the extent to which a transmission network service provider's proposed opex and capex forecasts includes expenditure to address the concerns of its electricity consumers as identified through its engagement with those consumers.²³ This is one of several factors to which we must have regard in determining whether the total forecasts of opex and capex Powerlink has proposed reasonably reflect prudent and efficient costs and realistic expectation of demand forecast, cost inputs and other relevant inputs.²⁴

In making our regulatory decision, we consider the engagement process and stakeholder submissions. We also consider whether the proposal addresses consumer preferences in a prudent and efficient way and that the proposed programs can be delivered with optimal timing. Where consensus among stakeholders is not possible, the differing views and how Powerlink has weighed them should be reflected in the proposal. If the proposal does not satisfy us that the consumer-supported outcomes are prudent and efficient, we must look to alternative options and solutions in order to approve total expenditure forecasts that will address consumers' concerns and deliver their preferred outcomes in a way that is prudent and efficient.

1.4.1 Powerlink's engagement on its proposal

Powerlink undertook an extensive consumer engagement program to inform the development of its 2027–32 revenue proposal. This included a co-designed engagement process overseen by its Customer Panel and supported by a dedicated Revenue Proposal Reference Group (RPRG), targeted engagement with large customers and industry participants, and ongoing involvement by senior executives and board members. Powerlink facilitated regular workshops and detailed discussions with the Customer Panel and RPRG and engaged with other stakeholders through forums, including the Transmission Network Forum. Engagement covered key issues including capex, opex, network resilience, incentive schemes, project deliverability and contingent projects. Powerlink also published a draft

²² AER, [Better Resets Handbook – towards consumer-centric network proposals](#), December 2021.

²³ NER, cll. 6A.6.6(e)(5A), 6A.6.7(e)(5A).

²⁴ NER, cll. 6A.6.6(c), 6A.6.7(c).

proposal in September 2025 and sought feedback from stakeholders, including the Customer Panel and RPRG.

The AER's Consumer Challenge Panel sub panel 34 (CCP34) was also engaged to provide advice on whether the long-term interests of consumers are appropriately considered and reflected in Powerlink's proposal; and the extent to which the proposal incorporates stakeholder feedback.

We found Powerlink's engagement with stakeholders to be genuine and to have met—and, in some areas, exceeded—the expectations set out in our Better Resets Handbook. Stakeholders observed that the engagement was structured, collaborative and responsive, with evidence that customer feedback influenced some aspects of the proposal. This assessment was reflected in submissions from both CCP34 and the RPRG, which commended Powerlink's positive and effective engagement. CCP34 considered Powerlink's collaborative engagement to be consistent with best practice, while the RPRG similarly noted the sincerity of Powerlink's engagement and collaboration with its members.

Clear examples of substantive influence include its alternative revenue smoothing profile and its decision not to seek a demand management innovation allowance mechanism (DMIAM) allowance. The engagement also materially influenced the proposal's development, particularly its transparency, structure, supporting evidence and explanation of deliverability and contingent project risks. However, there is less evidence that Powerlink's consumer engagement materially changed the overall scope, timing or scale of Powerlink's proposed expenditure. In several areas across capex and opex, our draft decision finds that Powerlink has not yet established its proposed expenditure is prudent and efficient. Our alternative forecasts are designed to address consumers' preferences and concerns in a way that is prudent and efficient.

1.4.2 What we've heard from stakeholders

Our consultation on Powerlink's revenue proposal and our issues paper closed on 13 May 2026, supported by a public forum on 9 April 2026. We received a total of six submissions on Powerlink's proposal and our issues paper.²⁵

Table 1 below summarises the key areas of interest addressed in stakeholder submissions.

Table 1 Key concerns from stakeholder submissions

Issue	Summary
Affordability and bill impacts	The uplift in proposed expenditure, combined with costs from external transmission projects could result in a significant increase in bills.
Capital expenditure scale and timing	Stakeholders requested that the AER closely scrutinise the prudence and efficiency of the proposed capex.
Deliverability risk	Stakeholders requested scrutiny of deliverability to confirm that the scale, timing and sequencing of the program are appropriate. Labour constraints, supply-chain pressures and interaction with broader Queensland

²⁵ We received 6 submissions from the following stakeholders: [Aurizon](#), [Australia Pacific LNG](#), [CCP34](#), [Queensland Farmer's Federation](#), [Queensland Resources Council Rail Working Group](#), [Powerlink's RPRG](#).

	construction programs create material uncertainty about whether projects can be delivered within the 2027–32 period and expected timeframes without possible cost escalation.
Revenue smoothing	Stakeholders supported aligning revenue smoothing with forecast growth in energy delivered to provide consumers with a smoother, more predictable price path and some relief in the early years.
Pricing transparency	Large directly connected customers requested greater transparency about transmission pricing and the transmission pricing methodology.

The RPRG conditionally supported Powerlink’s proposal, citing the genuine, collaborative and transparent engagement, which it considered exceeded the expectations set out in the Better Resets Handbook.²⁶ The RPRG also raised concerns about affordability and deliverability, reinforcing the need for the AER to closely scrutinise the prudence and efficiency of Powerlink’s proposal. In particular, it identified productivity and labour cost pressures associated with Powerlink’s EBA, the capex forecast, cost-estimation assumptions and methodology, and the sequencing and deliverability of investment programs. It considered this scrutiny necessary to consider whether Powerlink can deliver the approved capex and opex programs on time and within budget.²⁷

CCP34 noted that Powerlink’s engagement process with the RPRG had been effective and had materially influenced the development of the proposal, particularly its transparency, structure and supporting evidence.²⁸ While it considered the engagement robust and consistent with best practice, CCP34 identified aspects of Powerlink’s proposal requiring close regulatory scrutiny. These included the timing, sequencing and scope of the proposed replacement program and its supporting replacement methodology; the deliverability risks associated with the capex program; and contingent projects.²⁹

Large directly connected customers and stakeholder bodies, including Australia Pacific LNG, the Queensland Resources Council Rail Working Group and the Queensland Farmers’ Federation, raised similar concerns about the significant increases in Powerlink’s proposed expenditure. Their submissions highlighted the need for continued transparency and regulatory scrutiny by the AER to ensure that consumers pay only for prudent, efficient and necessary investment. Deliverability risks associated with Powerlink’s proposed projects—driven by resource constraints, the current economic environment and the need to coordinate with other large-scale construction projects—were also a common theme across stakeholder submissions.³⁰ While our draft decision, including regarding capex and contingent projects, reduces immediate deliverability concerns, we will retain our focus on deliverability when considering the revised proposal.

²⁶ RPRG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 18.

²⁷ RPRG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 8–11.

²⁸ CCP34, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 10.

²⁹ CCP34, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 37.

³⁰ Australia Pacific LNG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026 pp 1–2, Queensland Resources Council Rail Working Group - [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 5–8, Queensland Farmers Federation, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026.

Finally, Aurizon requested greater transparency in the transmission pricing methodology regarding prescribed prices and their drivers, including prescribed exit services arising from capex forecasts, the implications for locational pricing of changes in generation and load, and projections concerning the materiality of the system strength true-up.³¹ We have considered and responded to the points raised on these issues in section 4.

We acknowledge and appreciate the time and resources that stakeholders invested in preparing submissions and participating in our consultation process. We have closely considered those submissions in our assessment of Powerlink's proposal.

³¹ Aurizon, [*Submission – Powerlink 2027–32 electricity transmission revenue proposal*](#), May 2026.

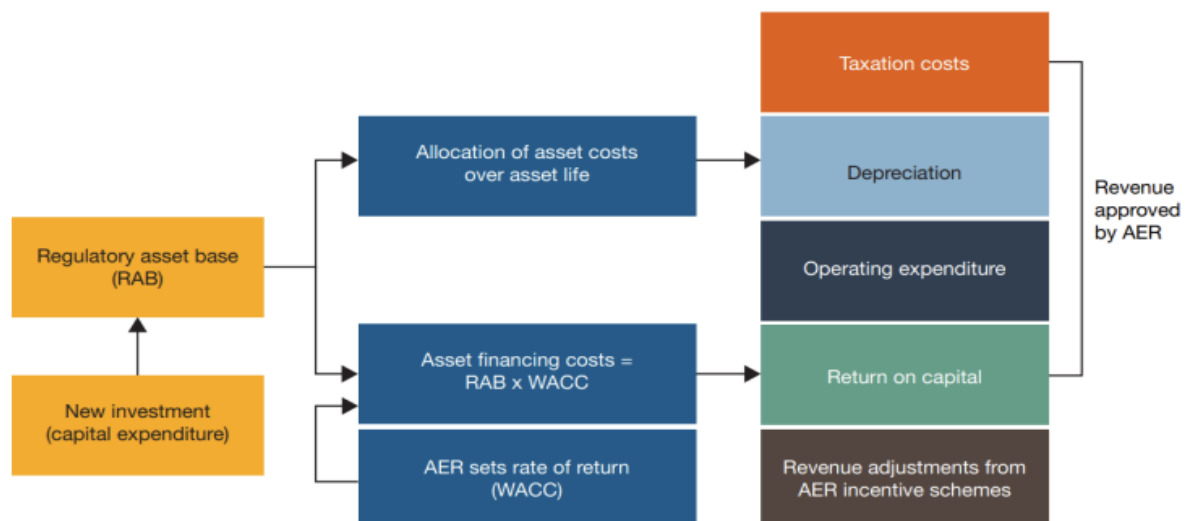
2 Key components of our draft decision on revenue

The foundation of our regulatory approach is a benchmark incentive framework to setting maximum revenues: once regulated revenues are set for a 5-year period, a network that keeps its actual costs below the forecast of costs retains part of the benefit. This provides an incentive for service providers to become more efficient over time. It delivers benefits to consumers as efficient costs are revealed and drive lower cost benchmarks in subsequent regulatory periods. By only allowing efficient costs in our approved revenues, we promote delivery of the NEO and ensure consumers pay no more than necessary for the safe and reliable delivery of electricity.

Under the NEL and NER, revenue is calculated using a ‘building block’ approach which looks at 5 cost components (see Figure 5):

- return on the RAB – or return on capital, to compensate investors for the opportunity cost of funds invested in this business
- depreciation of the RAB – or return of capital, to return the initial investment cost to investors over time
- forecast opex – the operating, maintenance and other non-capital expenses, incurred in the provision of network services
- revenue increments/decrements – resulting from the application of incentive schemes, such as the EBSS and CESS
- estimated cost of corporate income tax.

Figure 5 The building block model to forecast network revenue



Source: AER.

2.1 Revenue smoothing

Our draft decision includes a determination of Powerlink’s annual building block revenue requirement (unsmoothed revenue) and annual maximum allowed revenue (MAR) (smoothed revenue) across the 2027–32 period. The smoothed revenues we set in this draft decision are the amounts that Powerlink will target for its annual pricing purposes and recover from consumers for the provision of prescribed transmission services in each year of the 2027–32 period.³²

The annual building block revenue requirement is the sum of the various building block costs for each year of the regulatory control period, which can be lumpy over time. To minimise price shocks, revenues are smoothed within a regulatory control period while maintaining the principle of cost recovery under the building block approach. In effect, revenue smoothing shifts some cost recovery between adjacent years within the period.

Our standard approach has been to keep a divergence of up to $\pm 3\%$ between the smoothed and unsmoothed revenues for the last year of the regulatory period, as this can achieve smoother price changes across the regulatory control periods.³³

For this draft decision, we have approved lower revenues than Powerlink proposed. This is mainly driven by our reductions to forecast capex and opex in our draft decision. However, our draft decision provides for higher revenues than those determined in the 2022–27 determination for the reasons discussed in section 1.1 of this Overview. In nominal terms, Powerlink’s unsmoothed revenue for the first year of the 2027–32 period (2027–28) is 12.1% higher than the approved revenue for the final year of the 2022–27 period (2026–27). It then increases by an average of 4.8% per annum over the remaining 4 years of the 2027–32 period.

While transmission charges account for a relatively small share of the annual electricity bills, we are mindful that the magnitude of the increase in revenue could have a significant impact on network charges for Powerlink’s consumers. Our smoothed revenue profile therefore reduces the initial increase and spreads it over the remaining years of the 2027–32 period, in line with the growth in forecast energy.

We have smoothed revenue over the 2027–32 period, resulting in an initial increase of 5.0% (nominal) in 2027–28, followed by larger annual increases each year, with a 9.9% increase in 2031–32. The increase in revenue each year corresponds to the growth in forecast energy to deliver consistent annual increases in the forecast price path over the 2027–32 period. Table 2 shows the annual change in draft decision smoothed revenue (nominal), forecast change in energy delivered, and the corresponding impact on the forecast nominal price path.

³² Our draft decision expected revenues have not factored in any changes arising from incentive scheme amounts, cost pass throughs or unders/overs reconciliation that usually occur in the annual pricing process to come up with the total allowed revenue.

³³ NER, cl. 6A.6.8 (c)(2); The rationale for minimising the final year revenue difference is that the forecast for the final year unsmoothed revenue is likely to reflect the revenue requirement at the start of the next period. Therefore, minimising the final year difference reduces the chance of a large revenue variance at the commencement of the next regulatory control period. Thus, it may help to prevent large price shocks between regulatory periods.

Table 2 AER's draft decision changes on smoothed revenue, forecast energy delivered, and price path for the 2027–32 period (nominal)

	2027–28	2028–29	2029–30	2030–31	2031–32
Draft decision smoothed revenue (% change)	+4.97%	+5.44%	+6.71%	+8.42%	+9.89%
Forecast energy (% change)	+0.29%	+0.74%	+1.95%	+3.58%	+4.99%
Nominal price path (% change)	+4.67%	+4.67%	+4.67%	+4.67%	+4.67%

Source: AER analysis.

Our draft decision smoothing approach is consistent with Powerlink's proposed approach, which is supported by the RPRG. This approach aims to establish consistent annual increases in the forecast price path (smoothed revenue divided by forecast energy delivered) for the 2027–32 period by amending the smoothed revenue profile to align with the changes in forecast energy delivered.

Powerlink noted that it explored several smoothing approaches with the RPRG who ultimately supported the option of balancing revenue smoothing with the forecast growth in energy delivered over the 2027–32 period to provide consumers with a smoother and more predictable price path.³⁴ The RPRG's submission on the revenue proposal acknowledged that this approach back-loads revenue recovery to later years. However, it also noted that given current cost-of-living and business pressures, even modest price relief early in the 2027–32 period would be welcome despite steady increases later.³⁵ Submissions from CCP34 and the Queensland Farmers' Federation also endorsed the RPRG's recommendation for a stable price path.³⁶

This smoothing approach defers more of the revenue recovery to later years of the 2027–32 period, resulting in a 4.4% difference between smoothed and unsmoothed revenue in the final year, which is outside our standard target range of $\pm 3\%$. Taking into account consumer preferences, we consider it appropriate to relax this target to lessen price increases in the earlier years of the 2027–32 period. This is consistent with some of our previous determinations where we have relaxed the final year target up to $\pm 5\%$ to ease price increases in earlier years.³⁷ However, we consider that relaxing the target to more than 5% could increase the chance of a large revenue variance at the commencement of the 2032–37 period.

We may need to reassess this smoothing approach at the final decision if significant changes to revenue forecasts arise between the draft and final decisions. For example, Powerlink has

³⁴ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 125.

³⁵ RPRG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 40–43.

³⁶ CCP34, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 41–43; Queensland Farmers Federation, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 2.

³⁷ AER, *Final Decision – SA Power Networks distribution determination 2025–30, Attachment 1 – Annual revenue requirement*, April 2025, p 8; AER, *Final Decision – TasNetworks Distribution determination 2024–29, Attachment 1 – Annual revenue requirement*, April 2024, pp 5–6; AER, *Final Decision – Endeavour Energy Electricity Distribution Determination 2024–29, Overview*, April 2024, pp 9–10; AER, *Draft Decision – Ausgrid Distribution determination 2024–29, Attachment 1 – Annual revenue requirement*, September 2023, pp 12–13.

identified the Gladstone Project as having the potential to materially increase its revenue requirements in the 2027–32 period.³⁸ Under the current smoothing approach, this could result in even greater revenue recovery in later years, making it more difficult to minimise the final year difference. Therefore, in reaching our final decision, we will need to balance consumer preference for greater price relief in the early years of the period and a generally consistent price path against the need to ensure that revenue increases in later years remain sustainable and do not result in an excessive final year difference.

2.2 Regulatory asset base

The RAB reflects the value of regulated assets over time. For a new regulatory control period, we take the opening RAB from the end of the previous period and roll it forward year by year by indexing it for inflation, adding new capex and subtracting depreciation and other relevant adjustments, such as disposals. This gives the closing RAB at the end of each year of the regulatory control period. The RAB is used to determine the return on capital and regulatory depreciation building blocks and therefore has a substantial impact on Powerlink's revenue requirement and the prices consumers ultimately pay. All else being equal, a higher RAB increases both the return on capital and regulatory depreciation components of the revenue determination.

For this draft decision, we have determined an opening RAB value of \$8,333.9 million (\$ nominal) as at 1 July 2027. This is \$11.3 million (0.1%) higher than Powerlink's proposed \$8,322.6 million. This increase is mainly due to our update to the CPI input for 2025–26 in the asset base RFM to reflect more recent data.

We accept Powerlink's proposed method to use the RFM for calculating the opening RAB. However, we have made several input amendments to ensure that the actual capex, actual disposal and final year asset adjustments are entered correctly in our draft decision RFM consistent with their timing, and that only assets used to provide prescribed transmission services remain in the RAB. These input amendments (in addition to the CPI update mentioned above) are set out as follows:

- We amended Powerlink's 2021–25 actual capex and asset disposal inputs in the RFM to reflect the revised regulatory reporting data submitted by Powerlink, which corrected errors in its historical regulatory reporting.
- We accept Powerlink's proposal to remove \$60.0 million in overspend of capex associated with the Advanced Energy Management System (AEMS) replacement project. However, we removed this capex in the years it was incurred in the 2022–27 period, rather than through an aggregate amount for disposal in 2024–25. For AEMS project capex incurred before 2021–22, we removed the CPI adjusted amount from the 2021–22 capex inputs in the RFM.
- We accept Powerlink's proposal to include land and building capex for the Pinkenba site in the RAB. However, we did not accept Powerlink's approach to add the capex to the closing RAB at 30 June 2027 through a final year asset adjustment. Instead, we added the capex to the 2024–25 actual capex inputs in the RFM, reflecting our recognition of the

³⁸ Powerlink, 2027–32 - Appendix 10.01 - Pricing Impact Scenarios, January 2026, p 5.

capex and associated asset providing prescribed services from June 2025, when the site was acquired.

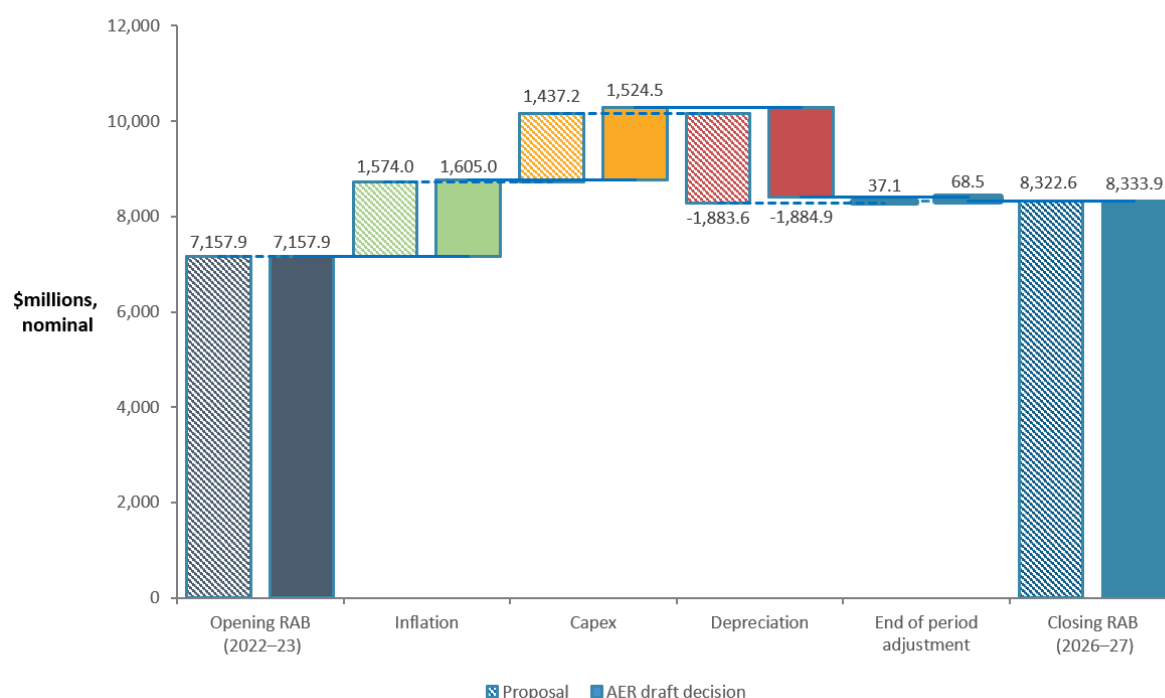
- We accept Powerlink's proposal to exclude \$2.8 million in capex from the RAB for assets repurposed to provide non-prescribed transmission services during the 2022–27 period. However, we did not accept Powerlink's approach of removing the amount through an asset disposal in 2026–27. Instead, we removed the written-down value of these assets through a negative final year asset adjustment to the closing RAB at 30 June 2027.

The net impact of these updates is a reduction of \$14.7 million to the opening RAB value. This partially offsets the increase of \$25.9 million from the update to the 2025–26 CPI input, resulting in a total net increase of \$11.3 million to the opening RAB compared to Powerlink's proposal.

Figure 6 shows the key drivers of change in Powerlink's RAB over the 2022–27 period between Powerlink's proposal and our draft decision, in nominal terms.

Figure 7 likewise shows the key drivers of the change in Powerlink's forecast RAB over the 2027–32 period relative to Powerlink's proposal, in nominal terms. We have determined a projected closing RAB of \$8,381.7 million (\$ nominal) as at 30 June 2032, which is \$1,583.0 million (-15.9%) lower than Powerlink's proposal of \$9,964.8 million. This lower value is mainly due to our draft decision to reduce Powerlink's forecast capex (section 2.5). It also reflects our draft decisions on the opening RAB as at 1 July 2027, expected inflation (section 2.3) and forecast depreciation (section 2.4).

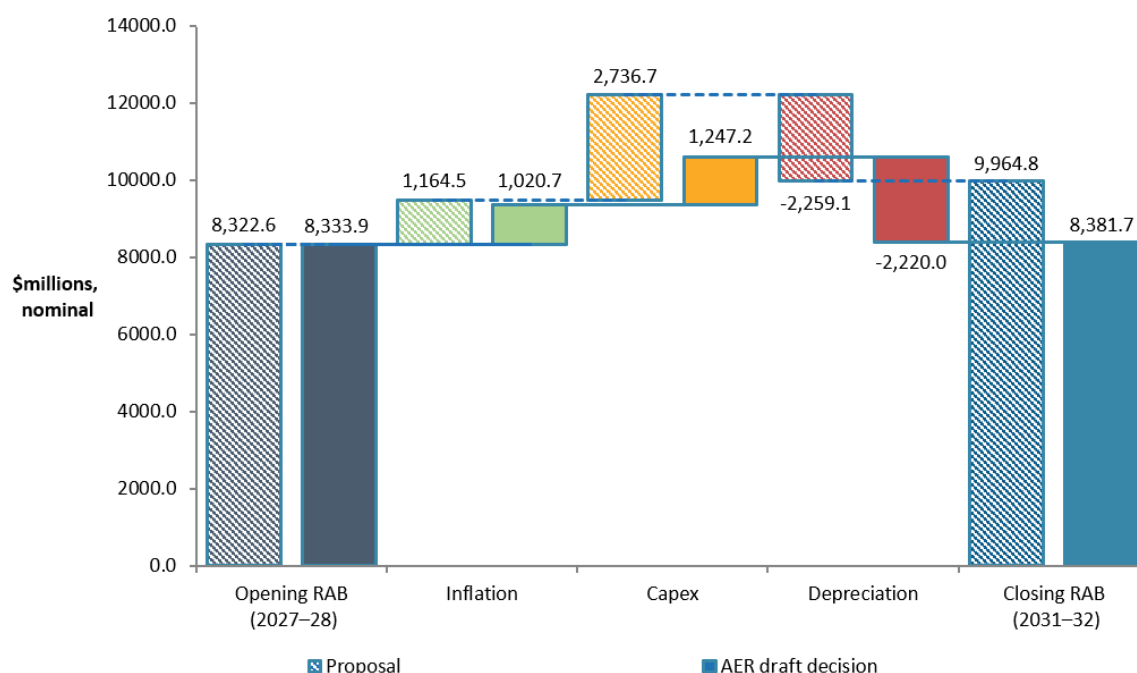
Figure 6 Key drivers of change in the RAB over the 2022–27 period – Powerlink's proposal compared with the AER's draft decision (\$ million, nominal)



Source: AER analysis.

Note: Capex is net of disposals. It is inclusive of the half-year WACC to account for the timing assumptions in the RFM.

Figure 7 Key drivers of change in the RAB over the 2027–32 period – Powerlink’s proposal compared with the AER’s draft decision (\$ million, nominal)



Source: AER analysis.

Note: Capex is net of forecast disposals. It is inclusive of the half-year WACC to account for the timing assumptions in the post-tax revenue model (PTRM).

The reasons for our decision on Powerlink’s RAB are discussed in Attachment 1 of this draft decision.

2.3 Rate of return and value of imputation credits

The AER’s 2022 Rate of Return Instrument (RORI) sets out the approach we use to estimate the return on debt, the return on equity and the overall rate of return.³⁹

The return each business is to receive on its RAB, known as the ‘return on capital’, is a key driver of proposed revenues. We calculate the regulated return on capital by applying a rate of return to the value of the RAB.

We estimate the rate of return by combining the returns of 2 sources of funds for investment: equity and debt. The allowed rate of return provides the business with a return on capital to service the interest rate on its loans and give a return on equity to investors.

The estimate of the rate of return is important for promoting efficient prices in the long-term interests of consumers. If the rate of return is set too low, the network business may not be able to attract sufficient funds to be able to make the required investments in the network and reliability may decline. Conversely, if the rate of return is set too high, the network business may seek to spend too much and consumers will pay inefficiently high prices.

³⁹ AER, [Rate of Return Instrument \(Version 1.2\)](#), March 2024.

We are required by the NEL and NER to apply the RORI to estimate an allowed rate of return.⁴⁰ For this draft decision, we have applied the 2022 RORI.⁴¹

We recently published a draft 2026 RORI⁴² and expect to make a final 2026 RORI in December 2026 which will apply in our final decision for Powerlink in April 2027. Powerlink has applied the 2022 RORI in its proposal and has accepted that the 2026 RORI will apply in our final decision.⁴³

Our draft decision rate of return of 6.41% (nominal vanilla) is higher than the 6.29% placeholder in the proposal, reflecting increases in the return on debt and the risk-free rate.

Our calculated rate of return in Table 3 applies to the first regulatory year of the 2027–32 period. A different rate of return may apply for the remaining years of the period. This is because we will update the return on debt component of the rate of return each year, in accordance with the RORI, to use a 10-year trailing average portfolio return on debt that is rolled-forward each year. Hence, only 10% of the return on debt is calculated from the most recent averaging period, with 90% from prior periods.

Our draft decision accepts Powerlink's proposed risk-free rate⁴⁴ and debt averaging periods⁴⁵ because they are consistent with the 2022 RORI.⁴⁶

We specify these periods in confidential Appendix A and they will be used to update the risk-free rate and return on debt in the final decision.⁴⁷

Table 3 Draft decision on Powerlink's rate of return (nominal)

	AER's previous decision (2022–27)	Powerlink's proposal (2027–32)	AER's draft decision (2027–32)	Allowed return over the regulatory control period
Nominal risk-free rate	2.50%	4.67%	4.89% ^a	Constant (%)
Market risk premium	6.1%	6.20%	6.20%	Constant (%)
Equity beta	0.6	0.6	0.6	Constant
Return on equity (nominal post-tax)	6.16%	8.39%	8.61%	Constant (%)
Return on debt (nominal pre-tax)	4.35% ^c	4.89%	4.94% ^b	Updated annually

⁴⁰ NEL, section 18H; NER, Chapter 10.

⁴¹ AER, [Rate of Return Instrument \(Version 1.2\)](#), March 2024.

⁴² AER, [Draft 2026 Rate of Return Instrument](#), May 2026.

⁴³ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 114.

⁴⁴ Powerlink, *2027–32 Revenue Proposal – Appendix 8.01 – Nominated Averaging Periods – CONFIDENTIAL*, January 2026, p 2.

⁴⁵ Powerlink, *2027–32 Revenue Proposal – Appendix 8.01 – Nominated Averaging Periods – CONFIDENTIAL*, January 2026, p 1.

⁴⁶ AER, [Rate of Return Instrument \(Version 1.2\)](#), March 2024, cll 7–8, 23–25.

⁴⁷ AER, *Draft Decision – Powerlink electricity transmission determination 2027 to 2032 – Confidential Appendix A: Equity and debt averaging periods*, September 2026.

Gearing	60%	60%	60%	Constant (60%)
Nominal vanilla WACC	5.08% ^c	6.29%	6.41%	Updated annually for return on debt
Expected inflation	2.65%	2.60%	2.45%	Constant (%)

Source: AER analysis; AER, *Final Decision – Powerlink Queensland Transmission Determination 2022 to 2027*, April 2022, p 40; Powerlink, *Powerlink 2027–32 Revenue Proposal*, January 2026, pp 115–116.

Notes:

- (a) Calculated using a placeholder averaging period of 20 business days ending 30 June 2026, which will be updated for the final decision.
- (b) Calculated using a placeholder averaging period of 20 business days ending 30 June 2026, which will be updated for the final decision.
- (c) Applied to the first year of the 2022–27 regulatory control period.

2.3.1 Debt and equity raising costs

In addition to compensating for the required rate of return on debt and equity, we provide an allowance for the transaction costs associated with raising debt and equity. We include debt raising costs in the opex forecast because these are regular and ongoing costs which are likely to be incurred each time service providers refinance their debt. On the other hand, we include equity raising costs in the capex forecast because these costs are only incurred once and would be associated with funding the particular capital investments. Our approach to forecasting debt and equity raising costs is set out in more detail in our past determinations.⁴⁸ Powerlink has applied an approach broadly consistent with our current approach to estimating debt and equity raising costs.⁴⁹

Our draft decision is to apply a debt raising cost of 8.53 basis points per annum, which has been used to calculate the debt raising costs included in total forecast opex (see section 2.6).

We have updated our estimate for the 2027–32 period based on the benchmark approach using updated inputs. This results in zero equity raising costs.

2.3.2 Imputation credits

Our draft decision applies a value of imputation credits (gamma) of 0.57, as set out in the 2022 RORI.⁵⁰ Powerlink's proposal also adopted this value.⁵¹

2.3.3 Expected inflation

As set out in Table 4, our estimate of expected inflation is 2.45%. It is an estimate of the average annual rate of inflation expected over a 5-year period based on the outcome of our 2020 inflation review.⁵² Powerlink's proposal also adopted our approach.⁵³

⁴⁸ For example, see: AER, *Final decision – Attachment 3 – Rate of Return – Directlink Electricity Transmission Determination 2025 to 2030*, September 2024, pp 4–6.

⁴⁹ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 104; Powerlink, [2027–32 - Post-Tax Revenue Model](#), January 2026.

⁵⁰ AER, [Rate of Return Instrument \(Version 1.2\)](#), March 2024, cl. 27.

⁵¹ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 114.

⁵² AER, [Final position, Regulatory treatment of inflation](#), December 2020.

⁵³ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 116.

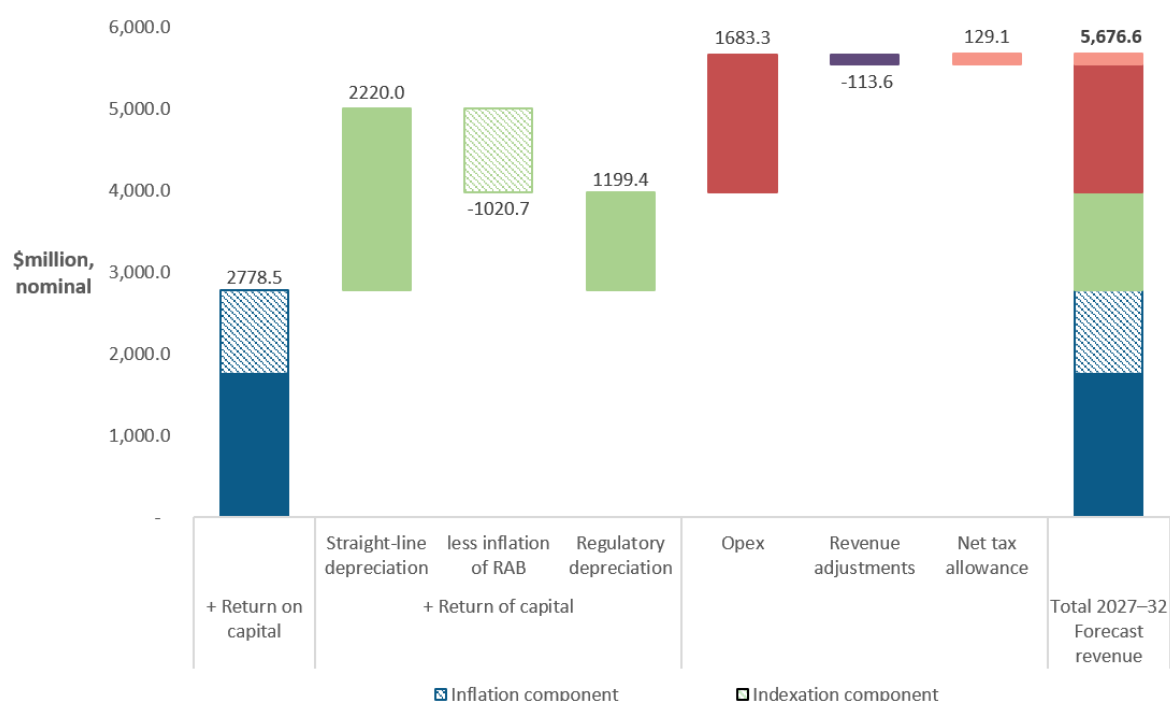
Table 4 Draft decision on Powerlink’s forecast inflation (%)

	Year 1	Year 2	Year 3	Year 4	Year 5	Geometric average
Expected Inflation	2.40%	2.43%	2.45%	2.48%	2.50%	2.45%

Source: AER Analysis; RBA, *Statement on Monetary Policy*, August 2026, Table 3.1: Detailed Forecast Table.
See <https://www.rba.gov.au/publications/smp/2026/aug/outlook.html#table-3-1>

Our draft decision uses the RBA’s August 2026 Statement on Monetary Policy which contains a CPI forecast for the year ending June 2028. This means the first year of the 2027–32 period is based on RBA forecasts and, thereafter, a linear glide-path from year two to the mid-point of the RBA’s inflation target band of 2.5% in year 5.

Figure 8 isolates the impact of expected inflation from other parts of our draft decision, to illustrate its impact on the return on capital and regulatory depreciation building blocks and the total revenue allowance. Other elements held constant, lower expected inflation increases regulatory depreciation.

Figure 8 Inflation components in draft decision revenue building blocks (\$ million, nominal)

Source: AER analysis.

2.4 Regulatory depreciation (return of capital)

Depreciation is a method used in our decision to allocate the cost of an asset over its useful life. It is the amount provided so capital investors recover their investment over the economic life of the asset (otherwise referred to as ‘return of capital’). When determining total revenue, we include an amount for the depreciation of the projected RAB. The regulatory depreciation amount is the net total of the straight-line depreciation less the indexation of the RAB.

Our draft decision determines a regulatory depreciation amount of \$1,199.4 million (\$ nominal) for the 2027–32 period. This is \$104.8 million (9.6%) higher than Powerlink's proposed \$1,094.5 million. This increase is primarily due to our draft decision incorporating a (more recent) lower expected inflation rate for the 2027–32 period compared to Powerlink's proposal, which has reduced the indexation of the RAB and in turn increased the regulatory depreciation building block.⁵⁴

The reasons for our decision on Powerlink's regulatory depreciation are discussed in Attachment 1 of this draft decision.

2.5 Capital expenditure

Capital expenditure (the capital costs and expenditure incurred to provide network services) mostly relates to assets with long lives, the costs of which are recovered over several regulatory control periods. Capex is added to Powerlink's RAB, which is used to determine the return on capital and return of capital (also known as regulatory depreciation) building block allowances. All else being equal, a higher capex forecast will lead to higher projected RAB value and higher return on capital and regulatory depreciation allowances.

Our draft decision is to not accept Powerlink's proposed total forecast capex of \$2,499.5 million (\$2026–27) because we are not satisfied it reasonably reflects the capex criteria. Our alternative forecast is \$1,140.0 million, which is 54.4% below Powerlink's forecast. Table 5 outlines our alternative estimate of forecast capex and compares this to Powerlink's proposed forecast by capex category.

Table 5 AER draft decision by capex category (\$ million, 2026–27)

Category	Powerlink's proposal	AER draft decision	Difference (\$)	Difference (%)
Replacement	1,667.9	875.7	-792.2	-47.5%
Augmentation	258.8	22.1	-236.7	-91.5%
Connections	-	-	-	-
ICT	23.5	17.6	-5.9	-25.3%
Property	165.5	35.1	-130.4	-78.8%
Fleet	29.4	29.4	-	0.0%
Other non-network	10.6	10.6	-	0.0%
Capitalised overheads	350.9	168.6	-182.3	-52.0%
Gross capex	2,506.7	1,159.1	-1,347.6	-53.8%
Less asset disposals	7.2	7.2	-	-

⁵⁴ Since regulatory depreciation is calculated by subtracting RAB indexation from straight-line depreciation, lower RAB indexation results in higher regulatory depreciation.

Modelling adjustments	n/a	-11.9	n/a	n/a
Net capex	2,499.5	1,140.0	-1,359.5	-54.4%

Source: Powerlink's capex model and AER analysis

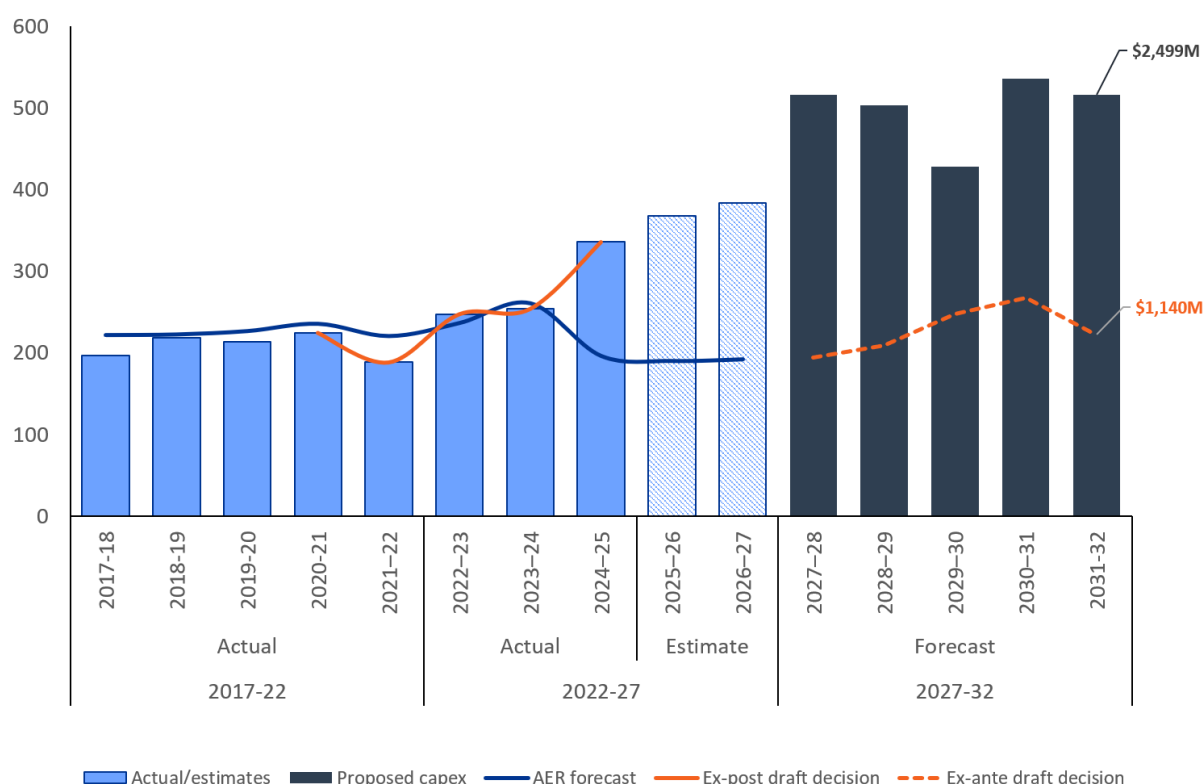
Notes: (a) Powerlink's proposal included capex categories inconsistent with our RIN categories. We've categorised capex consistent with the RIN and our capex model.

(b) Powerlink's proposal and our draft decision do not include an adjustment for movements in provisions of \$15.0 million and \$6.9 million respectively. This is an additional modelling adjustment that is performed to forecast capex before it is included into the PTRM.

(c) Powerlink's \$258.8 million in augmentation comprises \$253.8 million in easements and land acquisitions.

Figure 9 outlines Powerlink's historical capex trend, its proposed forecast for the 2027–32 period, and our draft decision. As can be seen, Powerlink is proposing a material step up of 57.4% above 2022–27 current period actual/estimates, and its forecast is also 99.8% higher compared to the most recent five years of actual expenditure (2020–25).

Figure 9 Powerlink's historical and forecast net capex (\$ million, 2026–27)



Source: Powerlink's proposal and AER Analysis.

Notes: (a) Powerlink's 2022–27 actual/estimates are based on Powerlink's latest restated capex as part of IR#026, which is still subject to assurance by Powerlink. Powerlink's 2022–27 actual/estimates includes \$41.2 million for the Pinkenba site acquisition in 2024–25 that we added to its RAB in our draft decision.

(b) Powerlink's proposal and our draft decision do not include an adjustment for movements in provisions of \$15.0 million and \$6.9 million respectively. This is an additional modelling adjustment that is performed to forecast capex before it is included into the PTRM.

In comparing our draft decision with Powerlink's actual spend, we consider that the appropriate historical benchmark is Powerlink's capex in the ex-post period (2020–25) rather

than 2022–27 period actual/estimates. This is because, at this stage, we have little confidence in the fourth and fifth year estimates in the current period.

In determining whether the current period actual/estimates is a reasonable historical benchmark, we typically review the degree that the third-year actuals differ from the fourth- and fifth-year estimates and reasons for that difference. In this case, there is uncertainty around the capex spend in the third year of the current period which, in turn, impacts our confidence in the fourth and fifth year estimates in the current period.⁵⁵

In particular, to address misallocation of expenditure over the first three years in the current period (2022–23, 2023–24 and 2024–25 years) where non-prescribed capex was included in the regulatory information notice (RIN) for prescribed services, Powerlink adjusted only the third year in the current period – 2024–25. We requested that Powerlink re-allocate its capex across all three years to accurately reflect capex spent in each of the three years. While Powerlink undertook this re-allocation, we are seeking assurance from Powerlink in its revised proposal of the validity of the capex in each of the first three years in the current period.

While we could use the first three years in the current period as a historical benchmark we consider that a longer 5-year time series of the capex in the ex-post period is a better comparison. Further, we have more confidence in actual capex in the ex-post period because we undertook an ex-post review where we found the capex to be prudent and efficient.

Given this, our alternative forecast is 8.9% (or \$110.9 million) lower than capex in the ex-post period (2020–25). Our alternative forecast is lower than the capex in the ex-post period because:

- The IT capex forecast for 2027–32 is about \$60 million lower due to most Software-as-a-Service (SaaS) costs now being expensed rather than capitalised, consistent with the International Financial Reporting Standards.
- Powerlink proposed significantly lower demand driven augmentation expenditure (augex) for 2027–32⁵⁶ (\$5.0 million forecast relative to the ex-post period actuals of \$66.4 million and an area of overspend we assessed), preferring to include forecast demand driven augex as contingent projects.
- The Northern Bowen Basin Reinforcement and Surat Basin Area Network Development contingent projects may be sufficiently certain such that these could be included as augex in the 2027–32 period. Its proposed system strength contingent project may also be more appropriate to be included as augex in the 2027–32 period. Our draft decision does not include an ex-ante forecast for these projects, and we encourage Powerlink to reassess these proposed contingent projects in its revised proposal.

⁵⁵ We note that the average of the fourth and fifth year is 34.5% higher than the average of the first three years in the current period and that the fourth and fifth year is 96.2% higher than the AER/Powerlink forecast in the current period.

⁵⁶ The \$258.8 million of augmentation in Table 5 is comprised of \$253.8 million of land and easement acquisitions where most of the expenditure relates to contingent projects or longer term replacement projects.

Based on the information before us, we have reviewed Powerlink's capex proposal from a top-down and bottom-up perspective.

Our top-down testing of Powerlink's forecast capex informed the scope of our bottom-up review. We observe the following about Powerlink's forecast capex at the top-down level:

- Its proposed total capex forecast is materially above (57.4%) current period spend.
- Replacement expenditure (repx), a recurrent expenditure, represents most of the forecast, and is 44.8% higher than current period spend.
- It proposed a material step up in most capex categories.
- It has not undertaken a deliverability risk assessment of its overall capex portfolio especially in light of a large step up in capex (including repx), 7 contingent projects for demand growth, the Gladstone Project and system strength requirements proposed for the 2027–32 period.

Given these top-down findings, we have undertaken a bottom-up review on most capex categories.

Overall, we found that a significant amount of Powerlink's forecast of \$2,499.5 million would be required to maintain the safety, reliability and security of electricity supply of its network. We have included Powerlink's forecast for some aspects of capex where it provided sufficient information to support the prudence and efficiency of its forecast such as for fleet capex, property capex for its Gladstone Hub depot and business-as-usual property programs, and other minor easement acquisitions.

We have not accepted Powerlink's total capex forecast in full, reducing it by 54.4%. Powerlink's capex forecast represents a substantial increase in the amount of capex it has historically incurred to operate its network, a 99.8% increase compared to the most recent five years of actual expenditure (2020–25), and including several proposed contingent projects that would further increase Powerlink's capex forecast if they go ahead. We expect a proposal of such magnitude to be well supported by robust evidence of the prudence and efficiency of the forecast expenditure including a deliverability risk assessment. However, we found significant analysis gaps in Powerlink's proposal in support of its forecast in repx, property, easements, ICT, cyber-security capex and capitalised overheads. We consider consumers should not pay for these parts of the forecast where Powerlink has not demonstrated these to be in the long-term interests of consumers. We observe that some consumer groups found similar issues with Powerlink's proposal including the lack of transparency of the build-up of its forecast in a number of cases.

We note that our alternative forecast of \$1,140.0 million is based on the information before us. There were substantial gaps in Powerlink's supporting information and analysis such that we have had to derive our alternative forecast using the limited verifiable information it provided. In many cases, we could not use Powerlink's cost benefit modelling with confidence to derive alternative cost estimates and as such our alternative forecast is mostly based on historical spend. In some cases, such as Powerlink's \$59.4 million Future Grid project, Powerlink has not sufficiently demonstrated that the expenditure is prudent and efficient to undertake for the 2027–32 period, and we have removed this expenditure from our forecast entirely.

To provide guidance for Powerlink in preparing its revised proposal, we have noted all information and analysis gaps in Attachment 2, Appendix D. We would also encourage Powerlink to engage with its customers about its revised proposal. We acknowledge the extensive customer engagement that Powerlink undertook on its capex proposal and would encourage it to continue to ensure that its customers' preferences are considered in its revised proposal.

Key findings

Repex

Our alternative forecast is in line with historical spend as Powerlink has not yet provided sufficient evidence to support a step up from the historical level of expenditure. We identified significant concerns with the prudence and efficiency of its forecast:

- For primary assets and secondary system programs, we found:
 - *Overstatement of safety risk, financial risk and network risk in its cost benefit analysis*, which then overstates the capex required to mitigate that risk. This is particularly the case for its stand-alone line and substation replacement projects.
 - *Insufficient options analysis for almost all repex programs*. Typically, we expect businesses to demonstrate the efficiency of its preferred option by testing it with other practical options.⁵⁷ Powerlink's cost benefit modelling only compares its preferred option to the base case ("do nothing"). The CCP34 also found that for repex programs ".....the supporting options analysis appears limited, with insufficient testing of other options for timing and scope".⁵⁸ We also found that, in several cases, Powerlink's forecast was the highest cost scenario (with no other options tested) for the purposes of the revenue determination, with the intention of a thorough cost benefit analysis occurring later as the project plan progresses (post final determination). We consider that this forecasting approach to not be in the interests of consumers as consumers are paying more than necessary for the provision of services.
 - *Evidence of inefficient opportunistic replacement*. We acknowledge opportunistic replacement is a common and good industry practice if it is cost effective to do so. However, Powerlink did not provide evidence that there are economies of scale and/or scope from its proposed bundling of replacement works. We found incidence of inefficient opportunistic replacement in information provided in support of line and substation projects.
 - *Forecasts in its regulatory proposal are based mainly on asset age, and less on condition of the asset*. Powerlink used asset age as the primary means of deriving its repex forecast with further investigation of asset condition to occur after our final decision for many of its projects and programs. This practice overstates its forecast

⁵⁷ In addition to previous decisions, we have formally set out our expectations on supporting information for repex forecasts in our 2024 industry note for asset replacement planning, available via <https://www.aer.gov.au/industry/registers/resources/reviews/industry-practice-application-note-asset-replacement-planning>

⁵⁸ CCP34, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 3.

because when asset condition is assessed during the regulatory period, less replacement will be required as not all assets of the same age will be in a condition that requires replacement.

We found that Powerlink’s forecasts for its substation primary plant and secondary system programs are mainly based on the results from its Health Index (HI). The results of the HI places most weight on asset age. It also places weight on other factors which are not related to asset condition such as costs related to the asset. Further, we found several examples in condition reports where Powerlink notes the condition of the asset is satisfactory, but the recommendation is to still intervene by replacing the asset because the asset has reached a certain age. While good industry practice acknowledges that age is a factor to consider in replacement decisions, most weight should be placed on asset condition and historical revealed risks to derive the likely probability of failure of each asset.⁵⁹ The CCP34 also expressed similar concerns with the transparency of Powerlink’s HI observing that:⁶⁰

Health Indices are a central input to Powerlink’s replacement forecasts, linking asset condition to capex decisions. While their use is appropriate, there is limited transparency on calibration of thresholds, sensitivity to assumptions and the relationship to actual failure outcomes. ... Heavily influenced by factors such as age and obsolescence, the application of this framework to secondary systems is less transparent, and the supporting option analysis appears limited, with insufficient testing of other options for timing and scope.

- *Powerlink’s assets are, on average, the youngest compared to other TNSPs.*
Powerlink has indicated that its population of assets is aging and that this is one of the main reasons for the step up in repex in the forecast period. However, when we compared the age of Powerlink’s assets against other TNSPs (ElectraNet, Transgrid, AusNet and TasNetworks) we found that Powerlink’s assets are, on average, the youngest.
- For its security/compliance programs, we have accepted some of Powerlink’s forecast for enhanced security in response to changing risk in the forecast period. Our alternative forecast is a step up from Powerlink’s historical spend. However, we have not accepted its forecast in full because Powerlink did not provide sufficient evidence to support the prudence and efficiency of most of its proposed initiatives. For instance, it has not performed site-specific security risk assessments (which its industry peers typically undertake), its proposed benefits are expressed as avoided costs and are significantly overestimated compared to its historical incident evidence, and costs for many of its initiatives are significantly higher than its peers. For our draft decision, we have categorised these programs as repex consistent with Powerlink’s regulatory reporting.
- For its operational and communication technology programs, we have not accepted Powerlink’s forecast in full mainly because Powerlink did not sufficiently demonstrate that the timing of its Future Grid project is prudent and efficient. We also have concerns with its cost benefit analysis where we found the project to have an overall negative net

⁵⁹ This probability of failure then flows into the cost benefit analysis as a separate independent input to enable a monetised assessment to demonstrate the overall net benefit to consumers from proactive replacement.

⁶⁰ CCP34, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 3 and 11.

benefit after making adjustments to address our concerns. We also found Powerlink's estimated benefits to be overstated where it did not net off savings and included unrealistic assumptions. For our draft decision, we have categorised these programs as replex consistent with Powerlink's regulatory reporting.

Property

We have accepted Powerlink's forecast for its recurrent property program (sustaining current buildings) and its Gladstone Hub depot as it provided sufficient information to support the prudence and efficiency of its forecast. However, we have not accepted Powerlink's forecast in full as it did not provide sufficient evidence to demonstrate the need for the Virginia Uplift nor its New Eagle Farm Depot which is related to the Virginia Uplift. Powerlink did not explore feasible options (such as a leasing option) to demonstrate that its preferred option results in the greatest net benefit. We have also placed less weight on its independent condition assessment report for the existing Virginia site because it assumes that Powerlink's preferred option would occur and does not test other options (for example, life extension rather than demolition). Further, Powerlink's assessment of the identified need is largely qualitative, with a lack of quantification of potential risks and benefits.

We acknowledge that some degree of expenditure for the Virginia uplift program is prudent if the Future Grid program is implemented. We therefore encourage Powerlink to respond to the analysis gaps we have identified in relation to its Virginia uplift program and its dependencies with the Future Grid program in its revised proposal.

Easements

We found Powerlink's forecast for 'other minor easement acquisitions' to be prudent and efficient as it is a carryover from the current period related to projects already in progress.⁶¹ We have not accepted the remaining forecast for easements because these are primarily related to contingent projects that we have not accepted in this draft decision. We also identified other information gaps with Powerlink's easement forecast such as the lack of a detailed cost breakdown, insufficient detail on other underlying drivers for the easement forecast as well as reconciliation issues between the investment case and the proposed expenditure.

Capitalised overheads

We found Powerlink's forecasting approach to not be a reasonable predictor of a prudent and efficient amount for capitalised overheads, and that its approach overstates the capitalised overheads required to maintain the network. Our alternative forecast is based on applying the AER's standard approach and the flow-on impacts to overheads from reductions to the wider capex portfolio.

Deliverability risk

In response to our draft decision, we expect Powerlink to include a delivery risk assessment of its capex investment portfolio in its revised proposal. A prudent network service provider would typically demonstrate that its entire capex portfolio is deliverable especially when

⁶¹ This proposed expenditure is set to occur in the early years of the forecast period.

faced with multiple major projects outside of the reset process. Powerlink is proposing 7 contingent projects in addition to a material step up in capex works in the 2027–32 period. This is against a backdrop of increases in demand for infrastructure and energy related skills and materials.

We also note the request from the RPRG for the AER to consider deliverability risk of Powerlink’s overall capex program. The RPRG submits: ⁶²

...that the AER review the ability for Powerlink to deliver projects on time and on budget to protect consumers from additional unexpected cost pressure. The RPRG consider that the deliverability assessment should include a review of the proposed productivity improvements, sequencing of projects, workforce capacity, contractor availability and supply chain risks.

We would expect a prudent and efficient business to have thoroughly assessed current and emerging deliverability risks, including accounting for its current skill and material inventory including gaps, to determine a feasible capex program with credible timing of investments. As delivery risks emerge for individual projects and programs, there may be a material change to the selection of preferred options and timings. This could then result in a corresponding reduction in the level of capex that Powerlink would incur and a re-prioritisation within the capex portfolio.

2.5.1 Ex-Post Review

We reviewed Powerlink’s capex overspend in line with the ex-post staged review process set out in the AER’s Capital Expenditure Incentive Guideline for Electricity Network Service Providers (the Guideline).⁶³ In the first stage, we consider the TNSP’s actual capex performance, which includes consideration of whether the overspend is significant at the total forecast capex level. If, from this assessment, we have no significant concerns about the capex overspend, we may consider that a further assessment of the capex overspend is not warranted. If we consider that a further assessment is warranted, we would progress to Stage 2 which involves a deeper bottom-up review of the capex overspend.

Our draft decision is to accept that Powerlink’s capex overspend in the ex-post period (2020–25 period) reasonably reflects the capex criteria. While Powerlink submits that the overspend was 6.3% (\$63.4 million, nominal),⁶⁴ we found the overspend to be higher. This is mainly because we have included the cost of the Pinkenba site in the 2024–25 period.⁶⁵ We calculate a total capex overspend of \$101.8 million in the ex-post period. We found this total capex overspend in the 2020–25 period was prudent and efficient and have therefore added this amount into the opening RAB for the 2027–32 period.

In our Stage 1 assessment, we found Powerlink’s capex overspend of \$101.8 million (or 8.9% above the AER forecast) to be significant at the total forecast capex level. We had regard to a number of factors in the Guideline, and undertook an initial prudence and

⁶² RPRG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 11.

⁶³ AER, [Capital Expenditure Incentive Guideline](#), August 2025.

⁶⁴ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 48.

⁶⁵ See section 2.2 for an explanation of our draft decision on the roll-forward of Powerlink’s Regulatory Asset Base (RAB) into the opening RAB for the 2022–27 period, and the differences between our draft decision and Powerlink’s proposal.

efficiency assessment. Based on the information before us, we found no significant concerns with the reasons and information provided by Powerlink in support of the prudence and efficiency of its capex overspend in the ex-post review period. As such, we consider that a deeper bottom-up review (under Stage 2 process) is not warranted. However, because of our different view on the total amount of the overspend, a higher CESS penalty of \$161.5 million (compared to Powerlink's estimate of \$136.4 million) applies.

We arrived at our draft decision based on the findings below.

- Powerlink addressed our concerns in relation to the misallocation of expenditure in the ex-post period. Prior to lodgement of its regulatory proposal, Powerlink notified us that there was a misallocation of expenditure in the 2022–23, 2023–24 and 2024–25 regulatory years, where non-prescribed (unregulated) capex was included in the RIN for prescribed (regulated) transmission services. Powerlink has provided sufficient evidence to demonstrate that it identified the root cause of the misallocation of expenditure in the ex-post period, that it addressed this issue expeditiously and that it has processes in place to ensure that the misallocation does not occur again.
- The cost of the Pinkenba site, which Powerlink acquired in 2024–25, should be classified as an asset used for the provision of prescribed services at the time of acquisition of the site. We also found the cost of the site to be prudent and efficient. We recognise that strategic land acquisition (acquiring land ahead of building on the land) is typically standard industry practice and that land values generally appreciate over time. We consider Powerlink's strategic land acquisition to be prudent and efficient in this case given the likely eventual future use of the site as an operational relocation site.
- The inclusion of the cost of the Pinkenba site into capex incurred in 2024–25 results in a higher capex overspend in the ex-post period of 8.9%, compared to Powerlink's proposed 6.3%. We view this overspend amount as significant at the total forecast capex level. The higher overspend also results in a higher CESS penalty than proposed by Powerlink.⁶⁶
- However, on initiating a more detailed review in accordance with Stage 2 of the staged ex post review process set out in the Guideline, we found that further in-depth review is not warranted. Our review of the remaining areas of capex overspend (that is, excluding the cost of the Pinkenba site) found that the majority of the overspend was due to circumstances out of Powerlink's control such as unexpected demand growth and compliance requirements. It also appears that Powerlink undertook to manage the increase to the extent it could, such as selecting the least cost option with a comparable unit cost.
- We have had regard to Powerlink not passing on inefficient re-scoping costs to its customer where it has voluntarily removed its overspend in AEMS costs from the RAB. This decision by Powerlink is consistent with only recovering the prudent and efficient costs from customers.

⁶⁶ We note that the CESS calculation applies to the current 2022–27 period, which is different to the ex-post period of 2020–25.

2.6 Operating expenditure

Operating expenditure (opex) is the forecast of operating, maintenance and other non-capital costs incurred in the provision of prescribed transmission services. Forecast opex is one of the building blocks we use to determine Powerlink's total regulated revenue requirement.

Our draft decision is to not accept Powerlink's total opex forecast of \$1,832.2 million,⁶⁷ including debt raising costs, for the 2027–32 regulatory control period.⁶⁸ Our alternative estimate is \$1,563.5 million, which is \$268.7 million (14.7%) lower than Powerlink's proposal.

Our draft decision is:

- \$270.6 million, or 20.9%, higher than the opex forecast we approved in our final decision for the 2022–27 regulatory control period.
- \$39.0 million, or 2.6%, higher than Powerlink's actual and estimated opex in the 2022–27 regulatory control period.

The key difference between Powerlink's opex proposal, which we have not accepted, and our alternative estimate is due to our alternative estimate using 2023–24 as the base year rather than the estimate of 2025–26 opex as proposed by Powerlink. We have also not included, or included lower amounts for, Powerlink's three proposed step changes.

Stakeholders questioned whether Powerlink's proposed 2025–26 base year was efficient, noting significant increases in opex and average labour costs over the 2022–27 period related to enterprise bargaining agreement (EBA) provisions that commenced in February and March 2024. Submissions asked whether Powerlink's limited productivity initiatives would be sufficient to offset these EBA costs and supported continued scrutiny of base-year efficiency and productivity.⁶⁹ We note that, along with increased labour costs arising from the EBA, Powerlink's opex has also grown because of significant increases in the size of its workforce.

We agree with the concerns raised by stakeholders. Powerlink has not yet provided us information demonstrating these cost increases are prudent and efficient, or otherwise required to provide prescribed transmission services. In the absence of this information, we have relied on Powerlink's audited, actual opex in 2023–24. Opex in this year is less affected by cost increases from the workforce growth and the new EBA than opex in either 2025–26 or 2024–25.

We consider using opex from 2025–26 as a base year would result in an opex forecast that is inconsistent with the opex criteria, as it would not reasonably reflect the prudent and efficient costs Powerlink needs to deliver the required services over the next regulatory period. We consider opex from 2023–24 better represents Powerlink's prudent and efficient operating costs.

⁶⁷ All dollar values are in March \$2026–27 terms unless stated.

⁶⁸ Powerlink, [2027–32 Operating Expenditure Model](#), January 2026.

⁶⁹ RPRG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 10, 13, 15–16, 35, 38; CCP34, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 11, 32–34; Australia Pacific LNG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026 p 1; Queensland Resources Council Rail Working Group - [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, pp 5–7.

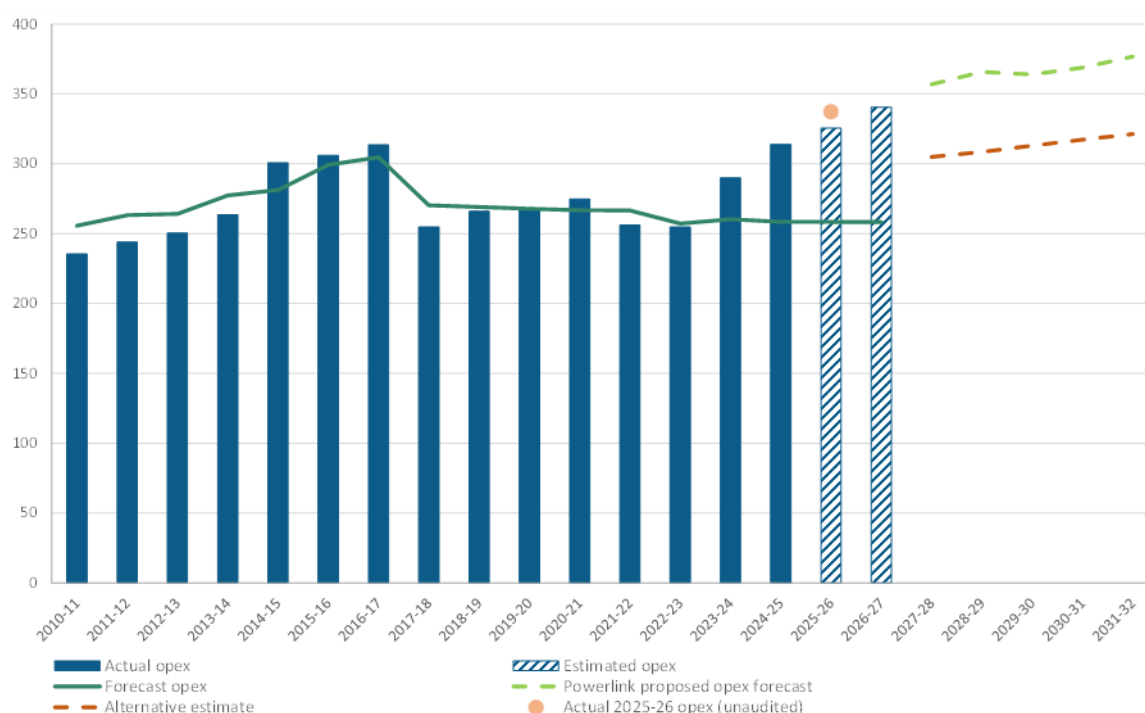
If Powerlink re-proposes 2025–26 as the base year in its revised proposal, we would seek additional information that more clearly explains the year-to-year impact on its labour costs of the EBA and the growth in its regulated business workforce. We would expect to see explanation of how the magnitude of the opex increases from these drivers can be considered prudent and efficient. It is also open to Powerlink to propose opex from 2024–25 as a base year, which has a lower total opex than 2025–26. Our conceptual concerns about material inefficiency in 2025–26 opex arising from the EBA also apply to 2024–25, but the magnitude of the increase that Powerlink would need to explain would be lower.

We did not include alternative estimates for Powerlink’s proposed \$8.7 million Overnight network-monitoring step change, or the \$16.4 million physical security uplift step change. We consider the cost of one additional staff member in the overnight control room will be provided for through the growth in total opex provided for by the base and trend components of our alternative estimate of total opex. While we consider action to uplift Powerlink’s physical security is prudent, we did not include an amount for this step change because some of the proposed costs will be provided for in the next regulatory period through opex approved this period in Powerlink’s related physical security cost pass through. We consider the remainder of the proposed step change is not required due to reductions in the proposed physical security capex detailed in Attachment 2.

We have included \$57.1 million of Powerlink’s proposed \$121.4 million in ICT and cyber security projects over the 2027–32 regulatory period. This includes \$35.7 million in ICT capex, and \$21.4 million in opex of the proposed \$60 million Cloud-based services step change. We engaged Oakley Greenwood to undertake a technical review of the proposed capex and opex expenditures. Considering their advice, and the information provided in ICT business cases and models, responses to our information requests, and an onsite workshop with Powerlink staff, we included these lower amounts because while Powerlink has identified a potential need for additional ICT and cyber expenditures, it has not provided key aspects of the supporting analysis required to demonstrate the prudence and efficiency of 4 of its 6 proposed ICT projects.

We agree with Powerlink’s view that it faces growing complexity in planning, maintaining, operating and securing its transmission network, particularly in the face of the accelerating energy transition and a rapidly evolving cyber security threat environment. To assist it in preparing its revised proposal, we have outlined in Appendix D of Attachment 2 the additional information we seek in the revised proposal to enable us to make a final decision on the ICT expenditures. We would be open to accepting this expenditure should Powerlink provide sufficient information and analysis that demonstrates the expenditure is prudent and efficient.

In Figure 10, we compare our alternative opex forecast estimate to Powerlink’s proposal for the next regulatory control period. We also show the forecasts we approved for the last two regulatory control periods and Powerlink’s actual and estimated opex over these periods.

Figure 10 Historical and forecast opex (\$ million, 2026–27)

Source: Powerlink, 2027–32 Operating Expenditure Model, January 2026; AER PTRM and opex allowance data for previous Powerlink transmission determinations; AER analysis.

Note: Numbers may not add up to totals due to rounding. Values are in March \$2026–27 unless otherwise stated.

For our final decision, we will review Powerlink’s revised proposal on its base year, including additional information it can provide to justify prudence and efficiency in the context of its rapidly increasing opex this period, as well as any further information Powerlink can provide on its proposed ICT expenditure. We will also update for any required mechanical adjustments to our opex forecasting methodology (e.g. latest inflation and labour price growth forecasts).

Our reasoning behind these positions is outlined in further detail in Attachment 3.

2.7 Corporate income tax

Our determination of Powerlink’s total revenue building block requirement includes the estimated cost of corporate income tax for 2027–32 period. Under the post-tax framework, this amount is calculated as part of the building blocks assessment using our post-tax revenue model (PTRM).

Our draft decision determines an estimated cost of corporate income tax amount of \$129.1 million (\$ nominal) for Powerlink over the 2027–32 period. This is an increase of \$30.1 million (30.4%) from Powerlink’s proposed \$99.0 million. This increase is primarily due to our draft decision on higher regulatory depreciation, which increases taxable income, and lower tax depreciation, which reduces deductible tax expenses. The lower tax depreciation reflects our reductions to forecast capex and forecast immediate expensing of capex in our draft decision. Together, these changes increase forecast taxable income and, in turn, the estimated cost of corporate income tax amount for the 2027–32 period.

The reasons for our decision on Powerlink’s corporate income tax are discussed in Attachment 1 of this draft decision.

2.8 Revenue adjustments

Our calculation of Powerlink’s total revenue includes adjustments for incentive schemes that applied in its determination for the 2022–27 period, such as the EBSS and CESS. These mechanisms provide a continuous incentive for Powerlink to pursue efficiency improvements in opex and capex, and a fair sharing of these between Powerlink and its customers.

Our draft decision includes:

- A revenue adjustment of \$27.5 million from the application of the EBSS in the 2022–27 period. This represents a \$252.5 million difference from Powerlink’s proposed carryover amount of -\$225.0 million. This reflects that our draft decision:
 - 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.
- A revenue adjustment of -\$161.5 million from the application of CESS in the 2022–27 period. This represents a -\$25.1 million difference from Powerlink’s proposed revenue adjustment of -\$136.4 million. This reflects that our draft decision on:
 - modelling inputs such as CPI and the WACC to reflect more up-to-date information
 - Powerlink’s forecast capex to include the Security of Critical Infrastructure Act cost pass through decided in July 2026
 - Powerlink’s actual capex reflecting our decision on AEMS project and Pinkenba site.

In its submission, CCP34 raised the issue of flexibility in how the AER applies the CESS. Our consideration of the points raised CCP34 is discussed in Attachment 6.

2.9 Uncertainty mechanisms

Our transmission determination for Powerlink will set the revenue allowance that forms the major component of its network charges for the next 5 years. It provides a baseline or starting point for that period. Over the 2027–32 period there are several additional mechanisms under the NER that may operate to increase or decrease those charges. A transmission business may apply to us seeking the recovery of additional costs incurred during a regulatory control period, if certain predefined exogenous events occur as specified in either the NER or in its respective revenue determination.

2.9.1 Cost pass through

There are 4 prescribed cost pass through events (regulatory change event, service standard event, tax change event and insurance event) that apply to Powerlink under the NER. In addition to these, Powerlink proposed 4 nominated pass through events. Of these, 3 were approved as part of our determination for the 2022–27 period (an insurance coverage event;

insurer credit risk event; and natural disaster event). Powerlink also proposed a new terrorism event to assist it in managing the increasing risk of acts of terrorism.⁷⁰

We recognise the important role of pass through events as a key element of the framework for managing uncertainty, we are also careful to ensure new nominated events are included only where they reflect an appropriate allocation of risk and are clearly justified with regard to the nominated pass through event considerations in the NER. In this context, our draft decision is to accept the existing insurance coverage, insurer credit risk, and natural disaster events, and the new proposed terrorism event.

Our reasoning behind these positions is outlined in further detail in Attachment 4.

2.9.2 Contingent projects

Contingent projects are usually significant network projects that are reasonably required to be undertaken to achieve the capex objectives. However, unlike other proposed capex projects, the need for the project within the regulatory control period and the associated costs are not sufficiently certain. Consequently, expenditure for such projects does not form a part of the total forecast capex that we approve in this determination. Such projects are linked to unique investment drivers and are triggered by defined events. The occurrence of the trigger event must be probable during the relevant regulatory control period. The cost of the projects may ultimately be recovered from consumers in the future if certain predefined conditions or ‘trigger events’ are met.

We acknowledge that there is uncertainty when forecasting large capex investments. We also understand that the option of proposing a contingent project gives businesses the assurance of the inclusion of capex into the regulatory period if certain triggers are satisfied. Our draft decision is to not accept any of Powerlink’s 7 proposed contingent projects as contingent projects for the purposes of the revenue determination for the 2027–32 period. The 7 contingent projects are estimated to cost between \$2,957.6 million to \$3,256.1 million. We are not satisfied that Powerlink’s proposed contingent projects meets the requirements in the NER to be included as contingent projects. Our review of the proposed contingent projects found common concerns including:

- That the phrasing of the proposed trigger events were not reasonably specific and capable of objective verification.
- Insufficient information to demonstrate that the proposed trigger events are probable during the 2027–32 period. For instance, we found a lack of evidence of the capacity constraint which, if it occurs, means the contingent project is not necessary to achieve the capex objectives. In some cases, Powerlink did not provide load growth forecasts and expected timing of the load growth, which we would expect in support of contingent projects.
- Some contingent projects being driven by the desire to encourage the commitment of new power generation rather than relate to augmentation having to occur because of a capacity constraint.

⁷⁰ Powerlink, [2027–32 Revenue Proposal](#), January 2026, pp 129–134.

- The Northern Bowen Basin Reinforcement and Surat Basin Area Network Development contingent projects may be sufficiently certain such that these could be included as augex in the 2027–32 period. Its proposed system strength contingent project may also be more appropriate to be included as augex in the 2027–32 period. Our draft decision does not include an ex-ante forecast for these projects and we encourage Powerlink to reassess these contingent projects in its revised proposal.

Our draft decision for Powerlink's proposed contingent projects for the 2027–32 period is set out in Attachment 2.

3 Incentive schemes

Incentive schemes are a component of incentive-based regulation and complement our approach to assessing efficient costs. They provide important balancing incentives under network determinations, encouraging businesses to pursue expenditure efficiencies while maintaining the reliability and overall performance of its network. Our draft decision is that the following incentive schemes will apply to Powerlink in the 2027–32 period:

- **Efficiency benefit sharing scheme (EBSS).** The EBSS provides a continuous incentive to pursue efficiency improvements in main standard control services opex by rewarding efficiency gains and penalising efficiency losses, measured by reference to the difference between actual and forecast opex. This provides for a fair sharing of efficiency gains and losses between networks and network users. Consumers benefit from improved efficiencies through lower opex in regulated revenues for future periods. Our draft decision on the EBSS is set out in Attachment 5.
- **Capital expenditure sharing scheme (CESS).** This incentivises efficient capex throughout the period by rewarding efficiency gains and penalising efficiency losses, each measured by reference to the difference between forecast and actual capex. Consumers benefit from improved efficiencies through a lower RAB, which is reflected in regulated revenues for future periods. Our draft decision on the CESS is set out in Attachment 6.
- **Service target performance incentive scheme (STPIS).** This balances incentives to reduce expenditure with the need to maintain or improve service quality, by providing financial incentives to maintain and improve service performance where consumers are willing to pay for these improvements. Once improvements are made, consumers benefit as the benchmark performance targets will be tightened in future years. Our draft decision on STPIS is set out in Attachment 7.

Our draft decision on the application of these schemes and allowances is consistent with the position taken in our Framework and Approach paper and is set out in Attachments 5–7 of this draft decision.

Demand Management Innovation Allowance Mechanism (DMIAM)

The purpose of the demand management innovation allowance mechanism (DMIAM) is to encourage TNSPs to expand and share their knowledge and understanding of innovative demand management projects that may reduce long-term network costs and consequently, drive lower prices for customers.

Under clause 6A.4.2(6A) of the NER, our determination for the 2027–32 period must specify how any DMIAM is to apply to the TNSP.

Draft Decision

Our draft decision is to not apply the DMIAM to Powerlink for the 2027–32 period. Our reasons for this decision are explained below.

Powerlink's proposal

Powerlink is not seeking a DMIAM allowance for the 2027–32 period.

Reason for draft decision

In our Final Framework and Approach (F&A), we proposed to apply the DMIAM to Powerlink pending the outcome of Powerlink's customer engagement.⁷¹ This is in regard to Powerlink's submission to our preliminary Framework and Approach, where Powerlink advised it would engage further with the AER and its customers on whether to apply the DMIAM, and 'investigate where there is an appetite from customers and a need for Powerlink to pursue the mechanism.'⁷²

We did not apply the DMIAM to Powerlink for the current 2022–27 period.⁷³ However, in our final decision for Powerlink's 2022–27 period, we noted:

... our future DMIAM position for Powerlink will be informed by Powerlink's 2022–27 demand management performance in terms of projects undertaken and its consumer engagement approach. This will ensure that our DMIAM position for Powerlink continues to be in the long term interests of consumers.

We received submissions from the RPRG and CCP34 regarding the application of the DMIAM. While the RPRG supports Powerlink's proposal to not apply the DMIAM on the basis that 'the DMIAM continue as a business-as-usual initiative',⁷⁴ the CCP34 advises that there may be value in the AER seeking further clarity from Powerlink regarding:⁷⁵

- what specific demand management innovation projects have been undertaken since 2021;
- which of those projects involved active customer participation or measurable demand response outcomes;
- what lessons or capabilities were developed through those activities; and
- how Powerlink intends to ensure ongoing incentives for non-network and demand-side innovation in the absence of a DMIAM allowance.

We sought evidence from Powerlink to address the points above, including the letter from the RPRG to Powerlink (dated 22 December 2025) in support of Powerlink's proposed approach to not apply the DMIAM.⁷⁶

In its response to our information request, Powerlink advised that in the current period it has progressed a demand management innovation activity to develop a Flexible Load Framework for large transmission-connected loads, exploring how flexible demand could improve network utilisation, defer or avoid augmentation, and increase hosting capacity for additional load.⁷⁷ While the work remains at the framework and capability-building stage and

⁷¹ AER, [Framework and Approach - Powerlink transmission determination 2027–32](#), July 2025, p 6.

⁷² Powerlink, [Submission on the 2027–32 Framework and approach – Preliminary position paper](#), May 2025.

⁷³ AER, [Final Decision – Powerlink Queensland Transmission Determination 2022 to 2027](#), April 2022, pp 67–70.

⁷⁴ RPRG, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 22.

⁷⁵ CCP34, [Submission – Powerlink 2027–32 electricity transmission revenue proposal](#), May 2026, p 41.

⁷⁶ Powerlink, [2027–32 Revenue Proposal](#), January 2026, p 34

⁷⁷ Powerlink's response to *Information request PWL IR#30 – DMIAM*, 24 July 2026.

has not yet produced measurable demand response outcomes, Powerlink advises that it has gained insights from the work and its customers have been engaged on the matter. Further, in its letter to Powerlink, the RPRG also noted Powerlink's commitment to innovation and knowledge sharing through its *Unlocking the Battery* initiative.⁷⁸ This is a published report that aims to support private sector developers to integrate Battery Energy Storage Systems efficiently.

We have considered Powerlink's revenue proposal, its responses to our information request, and stakeholder submissions in reaching our draft decision. We acknowledge that Powerlink has demonstrated the following:

- ongoing commitment to innovation in relation to demand management by providing information on how it will continue to explore opportunities for flexible load where they are capable of delivering network and customer benefits. This includes early engagement with customers and careful design of participation arrangements.
- engagement with its customers and various stakeholders in progressing non-network and demand-side innovation.
- commitment to share knowledge with its industry peers where appropriate to help ensure that customers benefit from these arrangements.

In addition, we consider that Powerlink's proposal to 'implement innovative solutions for prescribed transmission services in the normal course of business' reflects its intention to make innovation a core focus of its business activities. This delivers the intended outcomes of the DMIAM and is consistent with the long-term interests of consumers.

⁷⁸ RPRG letter to Powerlink, 22 December 2025.

4 Pricing methodology

A pricing methodology forms part of our transmission determination.⁷⁹ The role of the pricing methodology is to set out how the TNSP will recover its costs via prices.⁸⁰ In particular, the pricing methodology provides a ‘methodology, formula, process or approach’ that, among other things:⁸¹

- 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.⁸²
- Determines the structure and recovery of prices that a TNSP may charge for each category of prescribed transmission services.⁸³

Our draft decision is to approve Powerlink’s proposed pricing methodology for the 2027–32 period.⁸⁴ We are satisfied the methodology 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.⁸⁵

Powerlink’s proposed pricing methodology attracted stakeholder comments.⁸⁶ We consider the proposed pricing methodology does not require amendments as a result of these comments. As part of our draft decision, however, we encourage Powerlink to consult with stakeholders and customers to inform its revised proposal on a number of issues raised in submissions, particularly:

- further information it can possibly provide to customers to assist them understand changes to their future transmission prices and hence increase transparency in the transmission pricing process.⁸⁷
- discussion on the use of MVA (instead of MW) to calculate locational prices given we understand network decisions to invest in network capacity are largely driven by MVA requirements.

⁷⁹ NER, cl. 6A.2.2(4).

⁸⁰ AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p 1.

⁸¹ NER, cl. 6A.24.1(b).

⁸² NER, cl. 6A.24.1(b)(1–3).

⁸³ NER, cl. 6A.24.1(b)(4).

⁸⁴ AER, *Draft Decision – Powerlink Services Electricity Transmission Determination 2027 to 2032 – Approved Pricing Methodology*, September 2026.

⁸⁵ NER, cl. 6A.23 and 6A.14.3(g); AER, *Pricing methodology guidelines 2025 - Flexibility in allocating interconnector costs*, July 2026, pp 6–10.

⁸⁶ 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 4 & 9.

⁸⁷ AEMC, *Rule determination: Pricing of Prescribed Transmission Services*, December 2006, p 2.

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

Attachment 8 includes our detailed consideration of Powerlink's proposed pricing methodology.

5 Gladstone Project

5.1 Background

5.1.1 The Gladstone Project

The Gladstone Project has been progressed under the Queensland *Energy (Infrastructure Facilitation) Act 2024* (Qld) (EIF Act) to augment the transmission network in the area around Gladstone. This is the first project to be undertaken under the priority transmission investments (PTI) framework set out in the EIF Act.

The identified need for the Gladstone Project is to ensure ongoing reliability and security of supply in the Gladstone area to:

- meet the forecast electrical load in anticipation of the closure of the Gladstone Power Station;
- support the decarbonisation of major industries; and
- compensate for loss of essential system services, such as inertia, system strength and voltage control capability, following the closure of Gladstone Power Station.

The Gladstone Project was also identified as actionable in AEMO's 2026 Integrated System Plan.

5.1.2 Existing Gladstone transmission network

The network in the Gladstone area supports a range of industrial customers including two alumina refineries, an aluminium smelter, chemical manufacturing, Queensland's largest multi-commodity port and a range of other industries.

Many of the customers are expected to electrify their processes in the coming years, which will place additional demand on the network, particularly following the retirement of the Gladstone Power Station. Gladstone Power Station is currently scheduled by AEMO in its Expected Closure Year⁸⁸ document to close in March 2029.

5.1.3 Scope of the Gladstone Project

We are aware that Powerlink is preparing to publish the final scope of the project. However, at the time of writing, the most recent public information on the project is available on Powerlink's [website](#).

5.2 Priority transmission investment framework

Queensland's PTI framework provides a pathway for investment in the state's transmission infrastructure, that is in addition to the pathway available under the NER.

In simplified terms, the PTI framework consists of four key stages:

⁸⁸ AEMO, [Generating Unit Expected Closure Year](#), July 2026.

1. **Identification** A project is identified as an eligible PTI project within the EIF Regulation.
2. **Assessment** An Eligible PTI is declared by the Queensland government to be a candidate PTI, and Powerlink is directed to undertake an assessment of the project using the Regulatory Investment Test for Transmission (RIT-T), with appropriate modifications that are as minimal as practicable. In this context, the responsible Queensland ministers were required to seek the following advice from a ‘suitably qualified person’, a function which was carried out by the AER:
 - Firstly, whether Powerlink assessed the project as directed – the AER provided this advice in September 2025.
 - Secondly, whether the expenditure proposed by Powerlink was that which would be required by an efficient and prudent operator in Powerlink’s circumstances – the AER provided this advice in March 2026.
3. **Construction** Powerlink builds the transmission infrastructure.
4. **Review** If there is a material change in circumstances, any additional expenditure incurred on the project is reviewed for efficiency by the suitably qualified person.

In July 2024 the Gladstone Project was prescribed as an Eligible PTI and has since progressed through both the submission consultation and assessment consultation phases of the Assessment Stage. More information on the activity undertaken during the Assessment Stage can be found on Powerlink’s [website](#), on its Gladstone PTI page.

The responsible minister may direct Powerlink to construct the investment and specify efficient allowable expenditure to be included in Powerlink’s revenue determination under the NER for the relevant regulatory periods. The PTI framework requires the transmission network service provider to apply to the AER to have its revenue determination adjusted in line with the directions.

In making those adjustments, the AER must apply the forecast expenditure amounts directed by the responsible minister under the PTI framework and does not have discretion to depart from them. The AER retains its decision-making role under the NER for matters that are not displaced or modified by the EIF framework, including the administration of incentive schemes.⁸⁹

5.2.1 Responsible ministers’ directions and Powerlink’s forthcoming application

The Gladstone Project was declared to be a PTI as notified in the Queensland Government Gazette on 21 August 2026, with Powerlink directed to construct the project in accordance with section 26 of the EIF Act.

As required by the EIF Regulation, the responsible Queensland minister has also issued Powerlink with a primary PTI allowance direction (PPTIAD) under clause 15 of the EIF Regulation and a regulatory asset base allocation direction (RABAD) under clause 34 of the EIF Regulation (collectively, the directions). The directions require Powerlink to:

⁸⁹ Further information on the AER’s treatment of incentive schemes is provided in section 5.2.3 below.

- apply to the AER for an amendment of Powerlink’s revenue determination for the 2022–27 regulatory control period; and
- include in its revised revenue proposal stated amounts relating to the Gladstone Project for the 2027–32 regulatory control period.

At the time of writing, Powerlink is preparing to submit its application to the AER to give effect to the directions.

5.2.2 The next steps the AER will take once Powerlink has submitted its application

Summary of next steps

Once Powerlink has submitted its application to give effect to the directions, this will trigger requirements under the EIF Regulation and NER for the AER to:

- Amend Powerlink’s existing 2022–27 revenue determination and adjust Powerlink’s forthcoming 2027–32 revenue determination to account for the Gladstone Project.
- consider the application of the following incentive schemes to the Gladstone Project: Capital Expenditure Sharing Scheme, the Efficiency Benefit Sharing Scheme and the Service Target Performance Incentive Scheme.

The AER intends to publish a package in November 2026 that will comprise the AER’s decision to amend Powerlink’s revenue determination for 2022–27 and a draft decision on the application of incentive schemes to the Gladstone Project. As the AER’s decision on incentives schemes involves the AER exercising substantive discretion, the AER will publish a draft of the decision to allow stakeholders to make submissions.

In addition, the AER intends to include adjustments to account for the Gladstone Project in its final revenue determination for 2027–32, scheduled for April 2027. The directions require Powerlink to apply for these adjustments in its revised revenue proposal, scheduled for December 2026. The final revenue determination will include a final AER decision on the application of incentive schemes to the Gladstone Project.

Table 6 below summarises the actions the AER must take under the EIF Regulation to give effect to the PPTIAD and the RABAD and the anticipated timing.

Table 6 **Actions the AER must take and anticipated timing**

Matter	Draft 2027–32 Revenue Determination <i>September 2026</i>	Separate November 2026 package	Final 2027–32 Revenue Determination <i>April 2027</i>
2022–27 Revenue Determination	No action.	AER to publish Powerlink’s revenue determination, amended to incorporate the Gladstone Project expenditure amounts directed under the PTI framework.	No action.

2027–32 Revenue Determination	No action.	No action.	AER to publish, alongside its final decision on Powerlink's 2027–32 revenue determination, the adjustments made to account for the Gladstone Project in accordance with the directions. This includes Powerlink's adjusted: • roll forward model for 2022–27; and • post-tax revenue model for 2027–32.
Incentive Schemes	No action.	AER to publish a draft decision on application of incentive schemes to the Gladstone Project.	AER to publish a final decision on application of incentive schemes to the Gladstone Project.

Amendment of Powerlink's 2022–27 revenue determination

Clause 19 of the EIF Regulation, relating to the PPTIAD, requires the AER to amend Powerlink's revenue determination for the 2022–27 regulatory control period to reflect the amounts directed under the PTI framework.⁹⁰ In addition, clause 35 of the EIF Regulation, relating to the RABAD, requires the AER to adjust Powerlink's regulatory asset base to account for directed capital expenditure attributable to the Gladstone Project during the 2022–27 period.

These amendments must be made as soon as practicable after the AER receives Powerlink's application. The AER anticipates that it will release Powerlink's amended revenue determination for the 2022–27 regulatory control period, adjusted to account for the Gladstone Project, in November 2026, following receipt of Powerlink's application in early October.

Adjustment of Powerlink's 2027–32 revenue determination

The directions require Powerlink to include amounts in relation to the Gladstone Project in its revised revenue proposal for the 2027–32 period, which Powerlink is scheduled to submit to

⁹⁰ In particular, the AER must amend Powerlink's revenue determination for the first period by adjusting forecast capital expenditure and forecast operating expenditure to reflect the capital expenditure and incremental operating expenditure for the PTI stated in Powerlink's application. The AER must also adjust Powerlink's maximum allowed revenue, X factor and, where necessary, its annual building block revenue requirement for each remaining regulatory year of the first period to reflect the increase in forecast operating expenditure. In addition, the AER must adjust the values attributed to the capital expenditure sharing scheme and efficiency benefit sharing scheme to reflect the resulting increases in forecast capital expenditure and forecast operating expenditure.

the AER in December 2026. Once Powerlink submits its revised proposal, it will trigger requirements under clauses 20 and 23 of the EIF Regulation for the AER to adjust Powerlink's forecast capex, opex and regulatory asset base in relation to the 2027–32 period. The AER will make these adjustments as part of its final revenue determination for 2027–32, which is scheduled for April 2027.

Publication of forecast capex and opex in relation to the Gladstone Project

We understand that Powerlink will apply to the AER to give effect to the directions in early October 2026. If the AER had received the application from Powerlink prior to its draft revenue determination, clause 20 of the EIF Regulation would require the AER to publish in its draft revenue determination (made under clause 6A.12.2 of the NER) the directed forecast capital expenditure and forecast operating expenditure attributable to the Gladstone Project for the 2027–32 regulatory control period. However, as the AER has not yet received Powerlink's application, this requirement has not yet been triggered.

5.2.3 Incentive Schemes

As outlined above, the AER retains its decision-making role under the NER in relation to the application of incentive schemes given the inclusion of the Gladstone Project.⁹¹ As such, the AER will apply the NER framework to assess Powerlink's proposed application of the CESS, EBSS and STPIS except to the extent the framework is modified by the EIF Regulation.

Clause 14 of the EIF Regulation provides that, when applying the CESS, the AER may take into account incentives created by Part 4 of the EIF Regulation.⁹² This recognises that mechanisms such as the first period adjustment (i.e. the adjustment to the 2022–27 regulatory control period) under clause 23 and the potential for a material change direction under clause 38 may affect the incentives faced by Powerlink when delivering the Gladstone Project.

The AER anticipates releasing a draft decision on the application of the incentive schemes to Powerlink taking into account the Gladstone Project in November 2026.

5.3 Next steps

We expect Powerlink will lodge its formal application with the AER to give effect to the directions in early October. At this time, Powerlink will also publish material on the Gladstone Project and commence a range of planned engagement with customers and stakeholders.

In November 2026, the AER anticipates publishing:

- the amended 2022–27 revenue determination, amended to incorporate the Gladstone Project expenditure amounts directed under the PTI framework; and
- a draft decision on the application of incentive schemes to the Gladstone Project.

⁹¹ Rule 6A.14.1 of the NER.

⁹² Part 4 of the EIF Regulation relates to financial matters for PTIs.

On 2 December 2026, Powerlink will lodge its revised revenue proposal for 2027–32, including updated models and supporting tables that incorporate the capital expenditure, operating expenditure and revenue impacts associated with the Gladstone Project.

In April 2027, the AER will make its final decision on Powerlink's 2027–32 revenue determination.

6 Constituent decisions

In accordance with clause 6A.14.1 of the NER, this draft decision on the transmission determination that will apply to Powerlink for the 2027–32 regulatory control period includes the following constituent decisions.

NER cl. 6A.14.1	Constituent decision
6A.14.1(1)(i)	The AER's draft decision is to refuse to approve the total revenue cap for Powerlink for the 2027–32 regulatory control period, for the reasons set out in Attachment 1 to this draft decision.
6A.14.1(1)(ii)	The AER's draft decision on the maximum allowed revenue for each regulatory year of the 2027–32 regulatory control period is set out in Attachment 1 to this draft decision.
6A.14.1(1)(iii)	The AER's draft decision is that Version 6 of the Service Target Performance Incentive Scheme (STPIS) will apply to Powerlink for the 2027–32 regulatory control period. The AER's draft decision on the values that are to be attributed to the performance incentive scheme parameters for the STPIS are set out in Attachment 7 to this draft decision.
6A.14.1(1)(iv)	The AER's draft decision is that Version 2 of the Efficiency Benefit Sharing Scheme (EBSS) will apply to Powerlink for the 2027–32 regulatory control period. The AER's draft decision on the values that are to be attributed to the efficiency benefit sharing scheme parameters for the EBSS are set out in Attachment 5 to this draft decision.
6A.14.1(1)(v)	The AER's draft decision is to approve the commencement and length of the regulatory control period proposed by Powerlink. The AER's draft decision is that the regulatory control period will commence on 1 July 2027, and that the length of the regulatory control period will be 5 years (concluding 30 June 2032).
6A.14.1(2)	Acting in accordance with clause 6A.6.7(d), the AER's draft decision is to not accept the total of the forecast capital expenditure for the 2027–32 regulatory control period that is included in the current Revenue Proposal. The AER's draft decision therefore sets out an alternative estimate of the total of the required capital expenditure for the 2027–32 regulatory control period that the AER is satisfied reasonably reflects the capital expenditure criteria, taking into account the capital expenditure factors, of \$1,140.0 million (\$2026–27), and reasons for that decision, in Attachment 2 to this draft decision.
6A.14.1(3)	Acting in accordance with clause 6A.6.6(d), the AER's draft decision is to not accept the total of the forecast operating expenditure for the 2027–32 regulatory control period that is included in the current Revenue Proposal. The AER's draft decision therefore sets out an alternative estimate of the total of the required operating expenditure for the 2027–32 regulatory control period that

	the AER is satisfied reasonably reflects the operating expenditure criteria, taking into account the operating expenditure factors, of \$1,563.5 million (\$2026–27), and reasons for that decision, in Attachment 3 to this draft decision.
6A.14.1(4)(iv)	The AER's draft decision is that the following proposed contingent project described in the current Revenue Proposal is not a contingent project for the purposes of the revenue determination, having regard to the requirements of clause 6A.8.1(b), and for the reasons set out in Attachment 2 to this draft decision: • Central Queensland to North Queensland Augmentation • Northern Bowen Basin Reinforcement • Gladstone Area Augmentation • Central Queensland System Strength • South-West Queensland Augmentation • North Brisbane Area Network Development • Surat Basin Area Development The AER has therefore not made decisions under clauses 6A.14.1(4)(ii) and 6A.14.1(4)(iii) for the proposed contingent project.
6A.14.1(5)	Powerlink did not submit a financeability request and therefore the AER has not made a decision under clause 6A.14.1(5).
6A.14.1(5A)	The AER's draft decision on how applicable incentive schemes are to apply to Powerlink is: • Version 4 of the Capital Expenditure Sharing Scheme will apply, for the reasons set out in Attachment 6 to this draft decision. • A small-scale incentive scheme will not apply. Powerlink did not propose a scheme. • Version 1.01 of the Demand Management Innovation Allowance Mechanism will not apply. Powerlink did not propose a Demand Management Innovation Allowance.
6A.14.1(5B)	The AER's draft decision on the allowed rate of return for the 2027–28 regulatory year is 6.41% (nominal vanilla) for the reasons set out in section 2.3 to this Overview. The rate of return for the remaining regulatory years of the 2027–32 regulatory control period will be updated annually because the AER's decision is to apply a trailing average portfolio approach to estimating debt which incorporates annual updating of the allowed return on debt.
6A.14.1(5C)	The AER's draft decision on the allowed imputation credits for each regulatory year for the 2027–32 regulatory control period is 0.57.
6A.14.1(5D)	The AER's draft decision on the regulatory asset base as at the commencement of the 2027–32 regulatory control period, in accordance with clause 6A.6.1 and Schedule 6A.2, is \$8,333.9 million (\$ nominal), as set out in Attachment 1 to this draft decision.

6A.14.1(5E)	The AER's draft decision is that depreciation for establishing the regulatory asset base as at the commencement of the following regulatory control period (as at 1 July 2032) is to be based on forecast capital expenditure.
6A.14.1(8)	The AER's draft decision is to approve Powerlink's proposed pricing methodology for the 2027–32 regulatory control period. The reasons for our draft decision are set out in Attachment 8 to this draft decision.
6A.14.1(9)	The AER's draft decision is that the following additional pass through events are to apply for the 2027–32 regulatory control period in accordance with clause 6A.6.9: • insurance coverage event; • insurer credit risk event; • natural disaster event; and • terrorism event. These events have the definitions set out in Attachment 4 to this draft decision.

7 List of submissions

We received six submissions in response to our issues paper and Powerlink's 2027–32 revenue proposal. These are listed below.⁹³

Submission from	Date received
Aurizon Network Pty Ltd	13 May 2026
Australia Pacific LNG Pty Limited	12 May 2026
AER Consumer Challenge Panel sub panel 34 (CCP34)	13 May 2026
Queensland Farmers' Federation	13 May 2026
Queensland Resources Council Rail Working Group	15 May 2026
Powerlink's Revenue Proposal Reference Group (RPRG)	11 May 2026

⁹³ Submissions are available on the AER website at:
<https://www.aer.gov.au/industry/registers/determinations/powerlink-transmission-determination-2027-2032/proposal#submissions-regulatory-proposal>

Glossary

Term	Definition
AARR	Aggregate annual revenue requirement
AEMO	Australian Energy Market Operator
AEMS	Advanced Energy Management System
AER	Australian Energy Regulation
Augex	Augmentation expenditure
BAU	Business as usual
Capex	Capital expenditure
CCP34	Consumer challenge panel, subpanel 34
CESS	Capital expenditure sharing scheme
CPI	Consumer price index
DMIAM	Demand Management Innovation Allowance Mechanism
EBSS	Efficiency benefit sharing scheme
F&A	Framework and Approach
HI	Health Index
ICT	Information and communication technology
kV	kilovolt
MAR	Maximum allowed revenue
MVA	Megavolt-amperes
MW	Megawatt
NEL	National Electricity Law
NEO	National Electricity Objectives
NER	National Electricity Rules
Opex	Operating expenditure
PPTIAD	Primary priority transmission investment allowance direction
PTI	Priority transmission investment
PTRM	Post-tax revenue model
RAB	Regulatory asset base
RABAD	Regulatory asset base allocation direction

Repex	Replacement expenditure
RBA	Reserve Bank of Australia
RFM	Roll forward model
RIN	Regulatory information notice
RORI	Rate of Return Instrument
RPRG	Revenue Proposal Reference Group
STPIS	Service target performance incentive scheme
TNSP	Transmission network service provider
WACC	Weighted average cost of capital