



Ref. A6430619

4 September 2026

Clare Savage
Chair
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Clare,

Powerlink's 2027-32 Revenue Proposal – Impending Draft Decision

Thank you for providing feedback on what we understand are the Australian Energy Regulator's (AER's) likely positions in its upcoming Draft Decision on Powerlink's 2027-32 Revenue Proposal, due to be published by end September 2026.

The AER has flagged significant cuts to Powerlink's capital expenditure (capex) forecasts in particular, as well as operating and maintenance expenditure (opex) forecasts. We acknowledge and appreciate the AER's intention to provide Powerlink with additional time to consider its feedback and to help guide us in assessing priority areas for further consideration and work prior to and post formal publication of the AER's Draft Decision.

Since our meeting of 19 August 2026, key AER and Powerlink revenue reset staff have met and shared further information on the specific areas in which the AER considers there have been analysis gaps in the supporting information provided by Powerlink to date. While we are still working through this material in more detail, we identified a few immediate areas of concern to bring to your attention for further consideration prior to finalisation of the AER's Draft Decision on Powerlink's Revenue Proposal.

Age-based replacements

Powerlink does not replace assets based on age. Our practice is to use asset age as a trigger to further investigate asset condition. The analysis gap information provided to us appears to be based on this error of fact. As a result, we strongly encourage the AER to reassess whether its draft position on reinvestments (including replacements) is the result of a fundamental misinterpretation of Powerlink's asset management approach and supporting evidence.

Future Grid Operational Technology (FGOT)

We note that the AER's recent Draft Decision for AusNet Services provided a capital expenditure allowance for work directly analogous to Powerlink's FGOT program and, in doing so, recognised the regulatory obligation. Given that the proposed works in Powerlink's Revenue Proposal is required to meet a similar need and is of a similar nature, it is unclear how the AER's proposed zero-dollar allowance provides a reasonable estimate under the Rules to meet the same obligation.



Enterprise Bargaining Agreement (EBA)

We understand the AER considers there is some inefficiency in Powerlink's EBA that should not be passed through to customers. As a result, it proposes to use 2023/24 (Year 2) as the efficient base year to forecast operating expenditure over the next regulatory period, as that year does not contain the full annual cost of the EBA. Consistent with the AER's Base-Step-Trend approach to forecasting operating expenditure, Powerlink proposed 2025/26 (Year 4) as its base year as it better reflects recurrent expenditure required over the next regulatory period. This includes the full annual cost of the EBA, which is a regulatory obligation on Powerlink.

We also note that benchmarking results based on Annual Information Order returns for 2024/25 shows sectoral impacts of rising costs for all transmission businesses in the National Electricity Market. This trend in labour costs reflects market rates driven by rising demand for skilled resources throughout the sector.

Further, we are concerned that the AER's proposal to adopt 2023/24 as the opex base year could result in the inappropriate and materially different treatment of such costs for Powerlink relative to other TNSPs. In effect, Powerlink would be penalised due to a timing difference between finalisation of its EBA and the revenue determination process. Consequently, we would encourage the AER to reconsider the base year selected for its alternative operating expenditure forecast.

Again, Powerlink thanks the AER for providing early indications of its Draft Decision positions. We will continue to work constructively with your staff to address information gaps, including through any further discussion required in response to this letter.

Powerlink remains committed to working with the AER and our customers to achieve a prudent and effective revenue determination that enables Powerlink to meet its regulatory obligations in the long-term interests of consumers.

Yours sincerely,



Dr Seán Mc Goldrick
CHIEF EXECUTIVE