

Transgrid Application to reopen for capex – Project EnergyConnect

APA Submission

1 October 2026



[REDACTED]
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Lodged by email: aerinquiry@aer.gov.au

1 October 2026

RE: APA Submission to the Application to reopen for capex – Project EnergyConnect

Dear [REDACTED],

Thank you for the opportunity to comment on the AER's Application to reopen for capex – Project EnergyConnect Consultation Paper (consultation paper).

APA is an Australian Securities Exchange (ASX) listed owner, operator, and developer of energy infrastructure assets across Australia. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, renewable generation and battery infrastructure.

APA is the part owner and operator of three Transmission Network Service Providers (TNSPs) in the National Electricity Market (NEM):

- Murraylink, a high voltage electricity transmission asset which delivers electricity between the South Australian and Victorian regions of the NEM
- Directlink, a high voltage electricity transmission asset which delivers electricity between the New South Wales and Queensland regions of the NEM.
- Basslink, a high voltage electricity transmission asset which delivers electricity between the Tasmanian and Victorian regions of the NEM

All three of these TNSP's are regulated by the AER under the National Electricity Rules and Law. After considering the consultation paper, we have feedback in relation to section 4 of the consultation paper, particularly around the treatment of expenditure incurred before a reopener application.¹

In section 4.1, the consultation paper outlines stakeholder feedback interpreting clause 6A.7.1 as creating a strict cut-off based on when expenditure is incurred. We consider that expenditure should not be excluded from a reopener simply because it was incurred before the TNSP submitted its application. Our understanding is that, while criterion 3 refers to capital expenditure that a TNSP "proposes to undertake", it does not expressly say that all relevant expenditure must be incurred after the application is made. In our view, it would not be appropriate to read such a requirement into the Rules.

¹ Australian Energy Regulator, *AER preliminary position on Transgrid's application to reopen the 2023–28 transmission revenue determination for Project EnergyConnect*, pg 26

There are also practical reasons why the timing of expenditure should not determine whether it can be considered as part of a reopener. A TNSP may need to respond quickly to an unforeseen event, particularly where action is required to maintain the safe, secure or reliable operation of the network. In those circumstances, it may not be practical or appropriate to delay expenditure while a reopener application is prepared and submitted. An interpretation that excludes expenditure incurred before an application is made could therefore create an unintended incentive for a TNSP to delay necessary work. It could also disadvantage a TNSP that acts promptly to address the consequences of an unforeseen event.

We also consider that expenditure already incurred can be relevant when applying the materiality threshold in criterion 4. Criterion 4 refers to the total capital expenditure required during the regulatory control period to rectify the adverse consequences of the relevant event. In our view, the focus on total expenditure is important. The materiality assessment should reflect the overall cost of responding to the event, rather than only the portion of that expenditure that remains to be incurred when the application is submitted.

These interpretations will avoid situations where two TNSPs could face unforeseen events requiring the same total expenditure, but receive different treatment simply because one had to incur more of that expenditure before lodging its application. The need to act quickly may be driven by the nature and urgency of the event, rather than by a choice about when to incur expenditure. In our view, the operation of the reopener framework should not discourage a TNSP from taking timely and appropriate action where that action is required to address the consequences of an unforeseen event.

Allowing expenditure already incurred to be considered does not mean that the expenditure should automatically be recovered from consumers. The AER retains an important role in assessing the expenditure and determining the amount of additional capital expenditure that is appropriate in accordance with clause 6A.7.2(f). This provides a safeguard for consumers and allows the circumstances and expenditure associated with each event to be assessed on their merits.

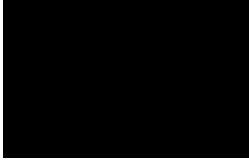
Finally, we consider there is an important distinction between a cost overrun on expenditure that was already contemplated in a TNSP's approved capital expenditure forecast and new expenditure required because of a genuinely unforeseen event. We agree with the Commission that an ex-post review or CESS assessment is not the appropriate cost recovery mechanism for the latter of these.² The incentive framework applying to ordinary project cost overruns is appropriate where the underlying expenditure was already anticipated when the revenue determination was made. The position is different where a TNSP is required to incur material expenditure in response to an event that was not reasonably anticipated at the time of the AER determination.

For these reasons, we consider the better approach is to assess the full circumstances of the event and the total expenditure required to address its adverse consequences. The timing of expenditure may be relevant to that assessment, but it should not, by itself, determine whether the expenditure can be considered under the reopener provisions.

² Australian Energy Regulator, *AER preliminary position on Transgrid's application to reopen the 2023–28 transmission revenue determination for Project EnergyConnect*, pg 31

Thank you for the opportunity to contribute to the review. If you have any questions about our submission, please contact [REDACTED] at [REDACTED] or [REDACTED]

Regards,



Natalie Lindsay
General Manager
Economic Regulation and External Policy