



1 October 2026

Australian Energy Regulator (AER)

Via email: aerinquiry@aer.gov.au

Transgrid Determination 2023-28 – Update – Application to reopen for capex – Project EnergyConnect

Alinta Energy welcomes the opportunity to provide feedback on the AER's preliminary position on Transgrid's application to reopen its 2023-28 transmission revenue determination for Project EnergyConnect (PEC).

We support the AER's preliminary position, and do not consider Transgrid has provided adequate basis for the revenue reopener to be approved.

Our key points are set out below, followed by our detailed response.

Alinta Energy's key points

- **The AER plays a critical role in ensuring only prudent and efficient transmission costs are passed onto energy consumers.**
- **Transgrid has not adequately satisfied the reopener criteria.**
- **Transmission cost escalations should be subject to an ex-post review process before recovery from consumers.**
- **Reforming transmission investment incentives would better constrain project cost escalation.**

The AER plays a critical role in ensuring only prudent and efficient transmission costs are passed onto energy consumers.

The AER holds an important role to "...ensure energy consumers have access to a reliable and secure market and that **they pay no more than necessary** for energy to their homes and businesses. We do this by setting the maximum amount of revenue that monopoly electricity networks...can earn from consumers".¹ As such, the AER plays a critical role in the assessment of the efficient and prudent allocation of transmission capex.

Transgrid has not adequately satisfied the reopener criteria.

In enforcing the AER's mandate in the interest of consumers, we support the AER's preliminary position and rationale behind Transgrid not satisfying all seven of the reopener

¹ Bolded for emphasis: <https://www.aer.gov.au/about/aer/our-role>.

criteria. As specified in clause 6A.7.1(a) of the NER², to revoke and substitute a revenue determination, a Transmission Network Service Provider (TNSP) must establish an event occurred beyond their reasonable control, which could not reasonably have been foreseen.

In meeting the reopener criteria, we agree with the rationale provided by the AER's preliminary position and other participants' submissions, that based on the information provided by Transgrid:

- the contract failure does not constitute an 'event';
- the contract failure could reasonably have been foreseen;
- the contract failure was not beyond Transgrid's reasonable control; and
- ultimately, delaying PEC would not have material adverse impacts on the reliability or security of the network.

Accordingly, we do not consider Transgrid has met the reopener criteria.

Transmission cost escalations should be subject to an ex-post review process before recovery from consumers.

As noted above, the reopening of a revenue determination is intended for unforeseeable events beyond a TNSP's control. This process should not be relied upon retrospectively where cost overruns arise from risks that could reasonably have been foreseen or managed through project delivery and contractual arrangements. Understanding the purpose of, and appropriately applying, the reopener criteria are particularly important given the magnitude of the costs in scope.

As affirmed by AEMO's 2026 ISP, transmission project costs continue to escalate, and, in several cases, "have become too expensive to deliver a net benefit to consumers".³ AEMO's Transmission Cost Database also estimates that project costs have increased by up to 100% in some cases, relative to inputs used in the 2024 ISP.⁴ With this in mind, the increase in PEC's estimated costs from \$2.1 billion quoted in 2023, to \$3.6 billion⁵ has given rise to Transgrid's application for an additional \$1.2 billion from consumers.

Noting the key role that transmission investment plays in delivering the energy transition and the material share of network costs that is ultimately borne by consumers, it is critical that TNSPs remain incentivised to manage project delivery risks and ensure consumers are funding only those costs demonstrated to be prudent and efficient.

Accordingly, and in line with the AER's preliminary position, we consider the ex post review process to be the more appropriate mechanism to review Transgrid's PEC overspend. This approach ensures an assessment of the prudence and efficiency of PEC's costs and determines the extent to which those costs should be borne by Transgrid's shareholders before any recovery from consumers.

Reforming transmission investment incentives would better constrain project cost escalation.

More broadly, the magnitude and frequency of transmission cost escalations indicate that the current regulatory framework warrants review. TNSPs earn a regulated return on capital

² National Electricity Rules, Clause 6A.7.1(a)(1).

³ '2026 Integrated System Plan', AEMO, 25 June 2026, p.97.

⁴ '2025 Electricity Network Options Report', AEMO, August 2025, p.6.

⁵ 'AER rejects Transgrid's bid to recoup cost blowout', Energy Source & Distribution, 2 September 2026.

expenditure included in the regulatory asset base. Where approved project costs increase materially during delivery, consumers may therefore bear both the additional expenditure and a proportionately higher return on that expenditure. This can weaken cost discipline after project approval and creates an asymmetric allocation of risk between consumers and network shareholders.

One option for addressing this issue would be to set an ex-ante capital cost estimate at the project approval stage and use that amount as the baseline for calculating the allowed return on capital. Efficiently incurred expenditure above the baseline could remain recoverable, subject to appropriate review, but would not automatically earn a regulated return. Consumers would continue to fund demonstrated delivery costs without providing TNSPs with a financial return from cost escalations.

Such a reform would strengthen delivery-phase incentives, improve the predictability of long-term bill impacts and reinforce the principle that consumers should pay no more than necessary for monopoly network services. Its design would need to safeguard against inflated initial estimates, excessive contingency allowances or scope changes, and consider any implications for financeability. These matters should be addressed through robust ex ante scrutiny, clearly specified project scope and transparent arrangements for assessing expenditure above the approved baseline.

In line with the above, we encourage the AEMC to undertake a review into the regulatory frameworks for transmission investment and planning to ensure revenue recovery mechanisms are fit for purpose and place greater responsibility for managing project risks on TNSPs.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact [REDACTED] at [REDACTED]

Yours sincerely,

Graeme Hamilton

General Manager Policy and Regulation