

AER'S PRELIMINARY POSITION ON TRANSGRID'S APPLICATION TO REOPEN THE 2023–28 TRANSMISSION REVENUE DETERMINATION FOR PROJECT ENERGYCONNECT - CONSULTATION PAPER

1 OCTOBER 2026

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, cement, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under the *AER's Preliminary Position on Transgrid's Application to Reopen the 2023–28 Transmission Revenue Determination for Project EnergyConnect - Consultation Paper*.

EUAA members have a direct and material interest in ensuring that the National Electricity Rules (NER) are applied rigorously, transparently and consistently. The AER's preliminary findings provide a clear and balanced interpretation of the National Electricity Rules (NER), and appropriately consider both consumer interests and the mechanisms available to support prudent cost recovery. Based on the evidence presented, the AER's preliminary findings on Criterion 1 and Criterion 6 are well-founded and should be maintained.

DISCUSSION

CRITERION 1 – WHETHER A QUALIFYING “EVENT” HAS OCCURRED

The NER requires that a reopener be triggered by an event that has actually occurred. The AER's preliminary view that Transgrid's definition of “Contract Failure” included matters that had not yet occurred is consistent with the wording and intent of the Rules. As the consultation paper notes, Criterion 1 “does not consider hypothetical scenarios” and Transgrid's event definition “includes matters that had not occurred at the relevant time.”

The EUAA supports the AER's interpretation. The timeline presented in the consultation paper indicates that Transgrid became aware of emerging delivery risks progressively, and these risks were broadly consistent with challenges facing major infrastructure projects at the time. The AER's approach to foreseeability, assessing it at or near the date of the final determination, provides clarity and aligns with established regulatory practice.

REASONABLE CONTROL

The AER's distinction between day-to-day construction activities and broader contract management responsibilities is appropriate. While SEJV was responsible for delivery, Transgrid retained oversight of contract management, escalation pathways and decisions relating to contract security. The consultation paper notes that the event definition is linked to Transgrid's own Board decision that PEC would not be completed under the EPC contract.

The EUAA agrees that this supports the AER's preliminary view that the matters raised were not beyond Transgrid's reasonable control for the purposes of the reopener.

CRITERION 6 – NO MATERIAL ADVERSE IMPACT ON RELIABILITY OR SECURITY

The AER's analysis of reliability and security impacts is clear and well-supported. The consultation paper concludes that the issues raised relate to lost economic benefits rather than material adverse impacts on reliability or security. As the AER states, "customers not receiving the economic benefit of a project does not...constitute an adverse effect on reliability and security."

Key points supporting this conclusion include:

- AEMO did not identify specific reliability or security failures in the event of PEC delay.
- ESOO-identified reliability gaps trigger market responses and backstop mechanisms, reducing the likelihood of actual shortfalls.
- System strength improvements associated with PEC are enhancements rather than requirements for maintaining secure operation.
- Islanding risks relate primarily to economic outcomes rather than system security parameters.

The EUAA agrees that these findings support the AER's preliminary position that Criterion 6 is not satisfied.

APPROPRIATE RECOVERY PATHWAY EXISTS

The AER's consultation paper appropriately highlights that rejecting the reopener does not prevent Transgrid from recovering prudent and efficient expenditure. Existing mechanisms, including ex-post review and the Capital Expenditure Sharing Scheme (CESS), provide structured, transparent pathways for assessing overspend. This ensures that efficient costs can be recovered while maintaining strong consumer protections.

CONCLUDING REMARKS

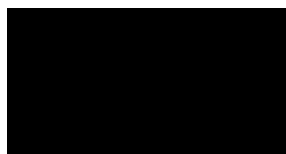
The EUAA considers the AER's preliminary position to be well-reasoned, consistent with the NER and aligned with consumer interests. The evidence presented supports the AER's view that a qualifying event has not occurred, that the matters raised were not beyond reasonable control, and that the claimed impacts do not meet the threshold for material adverse effects on reliability or security.

We strongly support the AER maintaining its preliminary position in the final decision and welcome continued engagement on these issues.

The EUAA recommends that the AER should maintain its preliminary position in the final decision.

The EUAA welcomes further discussions around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



Andrew Richards
Chief Executive Officer