Verifying Network Support Capability and Costs in Transgrid's 2025–26 Pass-Through Application

Submission to the Australian Energy Regulator

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1. Submission Context and Executive Summary

Transgrid proposes to add $9.34 million in June 2026 dollars to its 2027–28 transmission revenue. The net claim combines four increases for battery and backup services with a reduction for system security, for which $22.00 million was already recovered through 2025–26 transmission prices. We ask the AER to verify what each contract secured, whether the service was ready or delivered, and which costs were additional to existing funding. A short public reconciliation would show how those findings affect the final amount [1-3].

Table 1. Five events and the checks most relevant to each claim [1].

Event	Network need and contracted service	Operating evidence to check	Cost question
NSW system security Proposed reduction	Minimum system strength. Tumut 3 synchronous support.	Portfolio availability, operator enablement and shortfall deductions.	Was the $22.00 million offset applied once?
Riverina and Darlington Point Proposed increase	Voltage stability following credible contingencies. Three battery facilities.	Control mode, deratings and measured voltage response.	Were payments and administration costs incurred in 2025–26?
Broken Hill AGL battery Proposed increase	Islanded supply. Standby charging and discharging capability.	Reserved capacity, charge limits and islanding readiness.	Do payments and study costs match the reserved service?
Broken Hill load banks Proposed increase	Controllable demand for islanded operation.	Usable load steps, switching and protection.	Do availability and operating charges match the contract?
Broken Hill portable generators Proposed increase	Supplementary generation for islanded operation.	Start, load acceptance, sustained output and coordination.	Are standby, operating and administration charges attributable?

2. Scope and Assessment Approach

Under clause 6A.7.2, the AER considers whether each event qualifies and what amount should pass through. Its consultation also asks whether Transgrid's costs and decisions were prudent and efficient. CSPER's research links a regulatory decision to the evidence needed to make it. Here that means tracing each material payment from the network need and contract terms to readiness or measured response, and then to the resulting charge or deduction. The public application supports an aggregate check. Redacted event totals and contract payments limit independent assessment of individual amounts. Our recommendations identify the records the AER can use to make those checks [1-5].

3. Evidence of Service Availability and Performance

In its Basslink submission, CSPER proposed using availability records, activation data and disturbance performance to assess contracted system security services. The same distinction applies here. Acceptance tests show capability under specified conditions. Availability records show whether it was ready during the contracted period. When a service is enabled or responds automatically, operating records show how it performed. A standby payment can be warranted in a year with no call if the contracted readiness can be verified. For an automatic service, the relevant evidence is the time in the required mode and the response to qualifying disturbances [4, 6].

3.1 Tumut 3 system strength

Reconcile quarterly portfolio availability with unit-level declarations to the Australian Energy Market Operator (AEMO), including outages and deratings. Check deductions against the executed contract. Transgrid reports a shortfall multiplier of 1.5, compared with 1.0 in the draft the AER reviewed. It also reports zero AEMO enablements in 2025–26. Check the operator record and settlement ledger to confirm the treatment of variable payments. The AER's earlier finding concerned the likely efficiency of the draft payment terms. The pass-through review can establish how the executed terms were applied during the year [1, 7].

3.2 Riverina and Darlington Point batteries

Check that each facility operated in the required control mode and within its contracted limits. Compare availability and derating logs with the periods in which support was required. Use time-aligned voltage and reactive-power records to assess the size and timing of the response, voltage recovery and any current-limit effects following relevant disturbances. Where event records leave a material contingency untested, review commissioning results and a transient model validated against measurements. Edify reported a 7.5 MVAr swing during a Darlington Point fault in April 2025. The earlier event illustrates the type of trace the AER can seek for the claim year [1, 8, 9].

3.3 Broken Hill islanded operation

Check the battery's reserved charging and discharging capacity, state-of-charge limits and duty duration. Check load bank switching and usable load steps, and verify generator start, load acceptance and sustained output. Use integrated tests or validated studies to assess protection coordination and voltage and frequency recovery after a material load step or loss of a resource. Match the evidence to the configuration covered by the contracts. Include any operating restrictions, common dependencies and the resources available when one component is out of service. The battery standby agreement was not triggered during the claim year, so acceptance records and documented readiness carry particular weight [1, 10, 11].

AEMO documented conflicting battery availability signals during Broken Hill's October 2024 islanded operation. The Redhouse trial in Scotland tested a battery, diesel generation and a load bank together. These examples support reconciling operator and plant records and checking the combined response under Broken Hill's own operating limits [10, 11]. Figure 1 summarises the evidence the AER can use to verify payments or deductions for each type of contracted service.

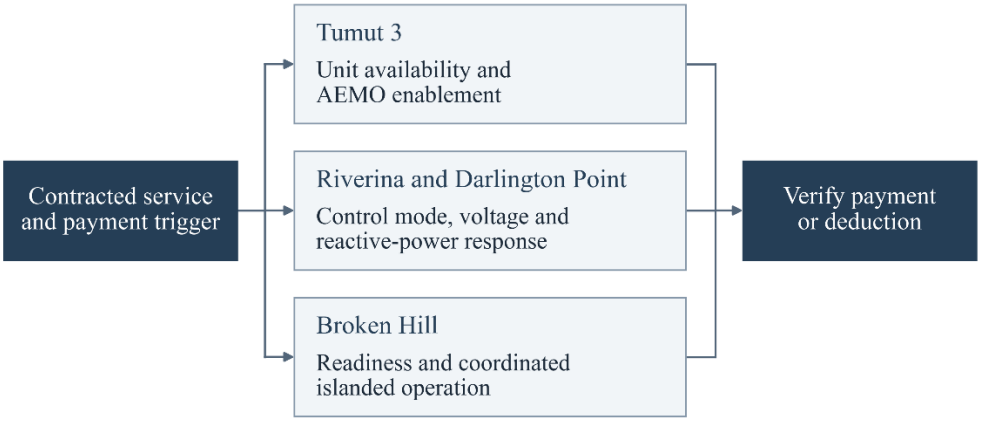


Figure 1. Evidence for verifying network support payments.

4. Incremental Costs and Existing Funding

The AER should assess each of Transgrid's five claims separately before combining them into a net pass-through. For each event, it should establish which costs were incurred because of the event, whether they fall within the relevant regulatory year, and how much was already funded or recovered. This provides the basis for verifying the labour allocation, preparatory expenditure and proposed revenue adjustment [1, 3].

4.1 Labour allocation

Transgrid claims 25% of applicable labour support costs. The AER should obtain the cost pool before applying that percentage, identify the included tasks and reconcile a sample to timesheets, payroll and ledger entries. Compare the claim with the operating expenditure already funded for 2023–28 and distinguish additional expenditure, such as evidenced overtime or backfill, from reassigned salaried time. Check that shared costs have a documented allocation driver and are counted once. A project code can show where an employee's time was charged. The payroll and funding records are needed to show how much of that charge represents an increment. The public application does not disclose the full cost pool, so it is unclear how much the labour assumption contributes to the net claim. If relying on the cited Ausgrid storm precedent, explain why its labour cost pool and funding baseline are comparable [1, 12, 13].

4.2 Preparatory expenditure

Transgrid reports $3.61 million in other system security costs, comprising $1.69 million for minimum-level preparation, $1.81 million for efficient-level preparation and $0.11 million for contract management. The Riverina decision excluded preparation costs incurred outside the relevant year. The Powerlink decision illustrates that eligible work can precede service payments. Identify separately the work supporting the executed Tumut 3 contract, the work preparing future minimum-level services and the work procuring grid-forming batteries for efficient-level requirements. For work supporting services expected from 2027–28, check when the expenditure was incurred, which 2025–26 event it relates to, and whether another allowance or claim covers it. A work-package record with the deliverable, service period and invoice or accrual date would allow the AER to test the year-end cut-off and the link to the event [1, 14, 15].

CSPER's Endeavour Energy backstop and CAPEX model submissions link spending to the capability it funds. Here, a common event reference would let the AER trace invoices, labour and preparatory work to the service and check for overlap across funding mechanisms [16, 17].

4.3 Reconciliation to proposed revenue

Figure 2 shows how Transgrid arrives at its proposed net pass-through of $9.34 million in June 2026 dollars. The AER should verify the $22.00 million already recovered against the 2025–26 transmission pricing calculation and recalculate

the time-value adjustment for each event from unrounded figures using the applicable rates, periods and dollar basis. The published figures show a negative $1.01 million adjustment for system security and imply a combined positive adjustment of approximately $1.78 million across the other four events. The AER should reconcile these amounts to Transgrid's workbook, trace the final net amount to the 2027–28 revenue adjustment, and explain any material exclusions or corrections [1, 3, 18].

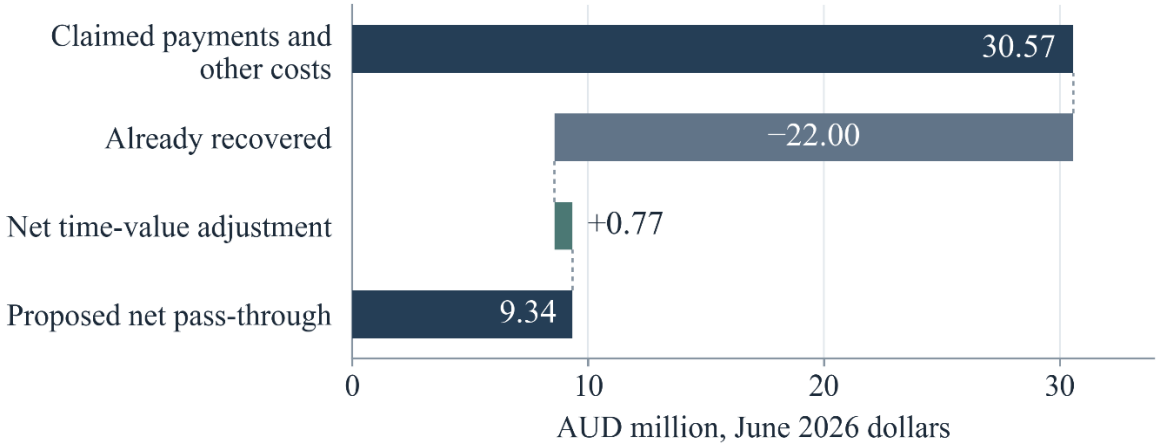


Figure 2. Reconciliation of Transgrid's proposed net pass-through. Source: Transgrid's application [1], Table 1.

5. Recommendations to the AER

- Verify contracted capability. Match each material claim to the service obligation and the evidence of readiness or delivery appropriate to that service [1, 4, 6].
- Verify eligible incremental cost. Confirm attribution to the event and regulatory year, deduct existing funding, and account for each cost once before netting the adjustments [1, 3, 12].
- Publish the reconciliation. Explain the approved increases and reduction, the treatment of prior recovery, the time-value adjustment and the effect on 2027–28 revenue. State the dollar basis, show how the signed amounts combine, and give the reasons for any material changes from the amount applied for. Where separate figures could reveal protected prices, publish safe aggregates and explain the treatment, consistent with the approach to public reasons illustrated by the AER's ElectraNet decision and Ofgem's redaction guidance [1, 19, 20].

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