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30 October 2026

Kami Kaur
Executive General Manager (A/g), Network Regulation
Australian Energy Regulator

Submitted via email: Kami.Kaur@aer.gov.au

Dear Kami

Value of Endeavour Energy's dual function assets

The purpose of this letter is to advise the Australian Energy Regulator (**AER**) on the value of Endeavour Energy's dual function assets, consistent with our obligations under the National Electricity Rules (**NER**).

Dual function assets are any part of Endeavour Energy's network that operates between 66 kV and 220 kV and which operate in parallel, and provides support, to the higher voltage transmission network. (In other words, dual function assets are assets within the Endeavour Energy network that support Transgrid's transmission network in NSW.)

Under clause 6.25(a) of the NER, we must advise the AER at least 32 months prior to the end of Endeavour Energy's current regulatory control period (30 October 2026) of the value of dual function assets. This is the value ascribed to relevant dual function assets in Endeavour Energy's regulatory asset base (**RAB**) as at the start of the regulatory year commencing 36 months prior to the end of the current regulatory control period (1 July 2026).

To determine the value of dual function assets, Endeavour Energy undertook a review of previously identified dual function assets and assessed that they continue to meet the definition of dual function assets in the NER. Endeavour Energy also reviewed whether newly commissioned assets and found that some new sub-transmission assets meet the definition of dual function assets in the NER. The final step was to apply a roll forward model to determine the value of dual function assets on 1 July 2026. Under this approach, Endeavour Energy determined the value of dual function assets was $463 million on 1 July 2026, which represents 5.4 per cent of the current RAB value.

As part of the Framework and Approach paper (**F&A paper**), the AER must decide whether dual function assets are subject to distribution or transmission pricing. Where the value of the dual function assets comprises a material proportion of the distributor's RAB, the AER may determine that dual functions assets are subject to transmission pricing.

In the current F&A paper applied to Endeavour for the 2024-29 period, the AER formed the view that distribution pricing would apply to Endeavour Energy's dual function assets. The AER considered that the stated value of 5 per cent of RAB at the time it made its decision did not

comprise a material proportion of Endeavour Energy's RAB. In addition, the AER noted that Endeavour Energy's dual function assets deliver transmission exit services supporting only its own distribution network.

We have separately provided the AER with our request to amend the F&A paper for service classification. In our request, we have set out our reasons for retaining the existing arrangements to apply distribution pricing to dual function assets on the basis that the current value still does not comprise a material proportion of Endeavour Energy's RAB.

For any enquiries, please contact Emma Ringland, Head of Regulation and Investments, at Emma.Ringland@endeavourenergy.com.au.

Yours sincerely



Francoise Merit
Chief Financial Officer