

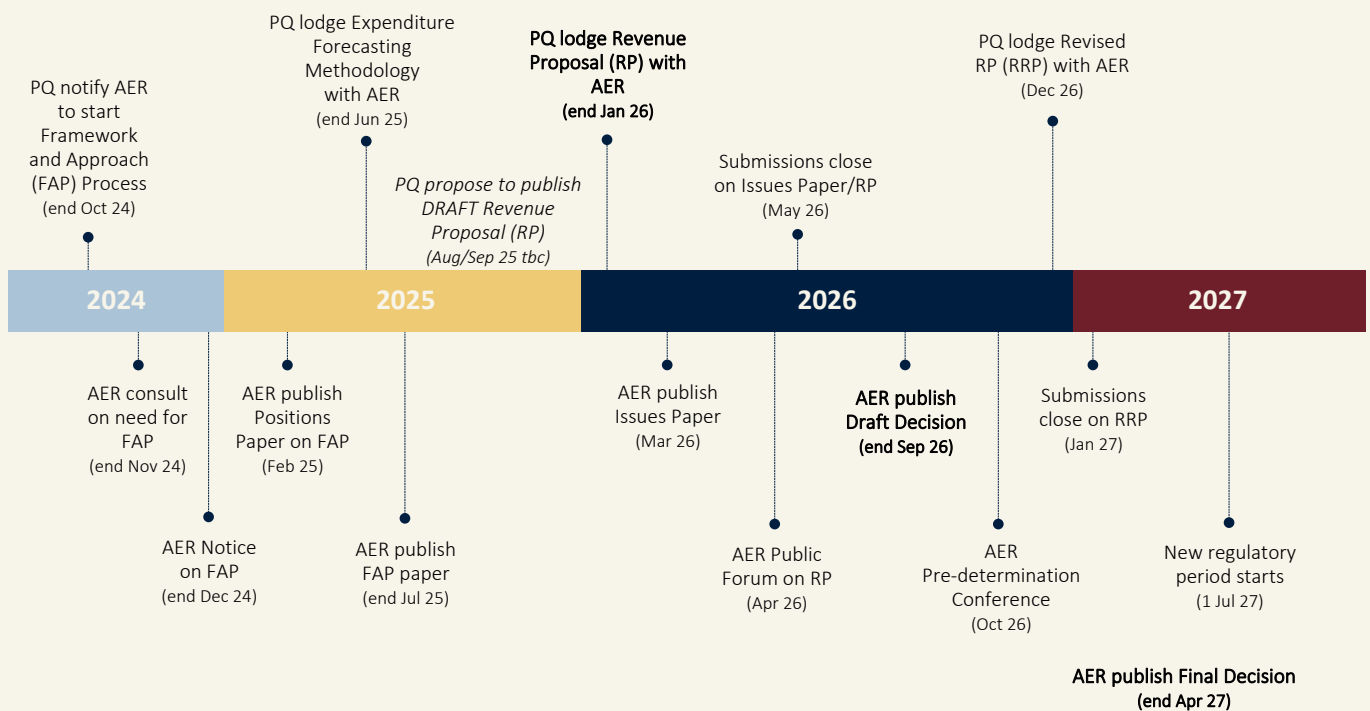
Snapshot - Revenue Determination Process

Each electricity transmission business in the National Electricity Market (NEM) is required to submit a Revenue Proposal to the Australian Energy Regulator (AER) every five years.

A Revenue Proposal sets out the business’s forecast expenditure and revenue requirements for the upcoming regulatory period to provide safe, reliable and secure prescribed (regulated) transmission services in a prudent and efficient manner.

The AER must assess each Revenue Proposal to ensure it meets the requirements of the National Electricity Rules, having regard to the National Electricity Law and National Electricity Objective. In essence, to ensure it is efficient and is in the long-term interests of electricity consumers.

The key milestones in our Revenue Determination process for the upcoming 2027-32 regulatory period is provided below:



Powerlink’s Prescribed Revenue

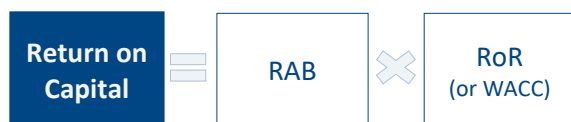
Our Maximum Allowed Revenue (MAR) is set as part of the Revenue Determination process using a building-block approach.



Typically, the building-blocks that comprise the largest shares of revenue are the return on capital (46%), opex (30%) and return of capital (21%), where the figures in brackets represent an approximate percentage of Powerlink’s MAR in its current 2023-27 regulatory period.

Return on Capital

The return on capital is calculated by multiplying our Regulatory Asset Base (RAB) by the Rate of Return (RoR).



RAB is the total value of Powerlink’s regulated assets. This varies from year to year as new assets are built, disposed of and depreciated.

RoR is the cost to finance capital expenditure, sometimes referred to as the Weighted Average Cost of Capital (WACC). This is set by the AER in its Final Decision on a Revenue Proposal and is adjusted annually to account for changes in the cost of debt. Our RoR is calculated by applying the relevant AER RoR Instrument.

Return of Capital (Depreciation)

Depreciation is an annual allowance to reflect wear and tear on an asset over its life.

Opex

Powerlink’s operating expenditure (opex) consists of expenditure to operate, maintain and support network and other assets and activities.

Taxes

Just like any other business, Powerlink is required to pay corporate income tax. We account for this as a component of our operating costs.

Incentives

The AER has several schemes to incentivise a business to pursue efficiency improvements and prudent and efficient investments, the benefits of which are shared between customers and the business.

The Efficiency Benefit Sharing Scheme (EBSS) is a scheme applied to operating expenditure to incentivise a business to pursue efficiency improvements. The scheme shares efficiency gains (or losses) between customers and the business in the ratio of approximately 70:30 in favour of customers.

The Capital Expenditure Sharing Scheme (CESS) is an incentive scheme applied to capital expenditure. Under the scheme, underspends relative to the AER’s capex allowance are treated as an efficiency gain and overspends are treated as an efficiency loss. Like the EBSS, capex efficiencies are shared between customers and the business.

The Service Target Performance Incentive Scheme (STPIS) incentivises a business to improve or maintain a high level of service for the benefit of participants in the National Electricity Market and end users of electricity.

In its Final Decision on a Revenue Proposal, the AER may decide to adjust the MAR for net carryover amounts (+ or -) from the current regulatory period into the next for the EBSS and CESS.

Unlike the EBSS and CESS, adjustments to the MAR for a business’ performance under the STPIS occur each year **within** a regulatory period and are subject to AER review and approval.

Where does Powerlink’s revenue come from?

Each year, Powerlink collects revenue from its customers. Our customers include electricity distribution networks supplied by Energex and Ergon Energy (part of the Energy Queensland Group) and Essential Energy (in northern New South Wales) and industrial customers such as rail companies, mines and mineral processing facilities.

Most transmission charges are passed through and form part of distribution network charges, which are then passed through to retailers and ultimately, end consumers of electricity.

Powerlink’s transmission costs represent about 9% of a typical Queensland residential electricity bill.

Approximately 80% of Powerlink’s annual revenues are set by the AER through the revenue determination process.

More information on Powerlink’s 2027-32 Revenue Proposal will be available on our website as the process evolves.