Powerlink
2027-32 Revenue Proposal

Revenue Proposal Reference Group Additional Meeting

April 2025

Powerlink acknowledges the Traditional Owners and their custodianship of the lands and waters of Queensland and in particular the lands on which we operate.

We pay our respect to their Ancestors, Elders and knowledge holders and recognise their deep history and ongoing connection to Country.

Information

Dear reader

We publish information in connection with our customer panel and its sub-committees on our website, for information purposes only.

While we make every effort to make sure the information regarding our customer panel and its sub-committees is informative, this information may reflect works in progress and may be updated or amended from time to time.

You should not rely on the information as a substitute for obtaining your own detailed independent advice.

The information does not constitute legal, regulatory or business advice, and we do not guarantee its accuracy, suitability, fitness for purpose, reliability or completeness.

Information regarding our customer panel may include the views or recommendations of third parties and does not necessarily reflect the views of Powerlink Queensland or indicate a commitment by us to a particular course of action.

Thank you

Agenda

1.	Business as Usual Process	1:00pm
	1.1 Project Initiation	
	1.2 Project Estimation	
2.	Forecasting Approach	2:45pm
3.	AER Framework & Approach Paper	3:30pm

Please note: this meeting will be recorded and transcribed to aid record keeping

Meeting Purpose

Purpose

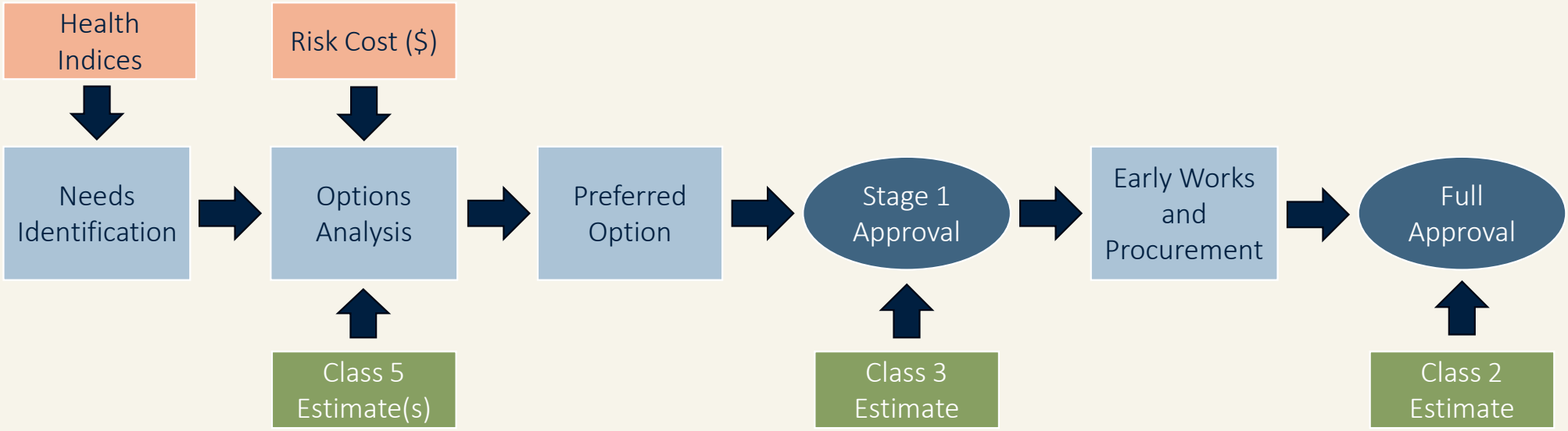
- Provide understanding of the business-as-usual (BAU) project initiation and estimating process
- Provide an understanding of why this process needs to be adapted for the Revenue Proposal
- Explain how we will leverage BAU to provide a reasonable forecast

Outcomes

- Provide the RPRG with greater understanding and confidence in our proposed capex forecasting approach before we publish the forecasting methodology in June.

Note: we are focussing on regulated network capex today – and specifically reinvestment – as this is expected to represent the majority of the regulated capex forecast

Project approval process for regulated network



Damien Scott

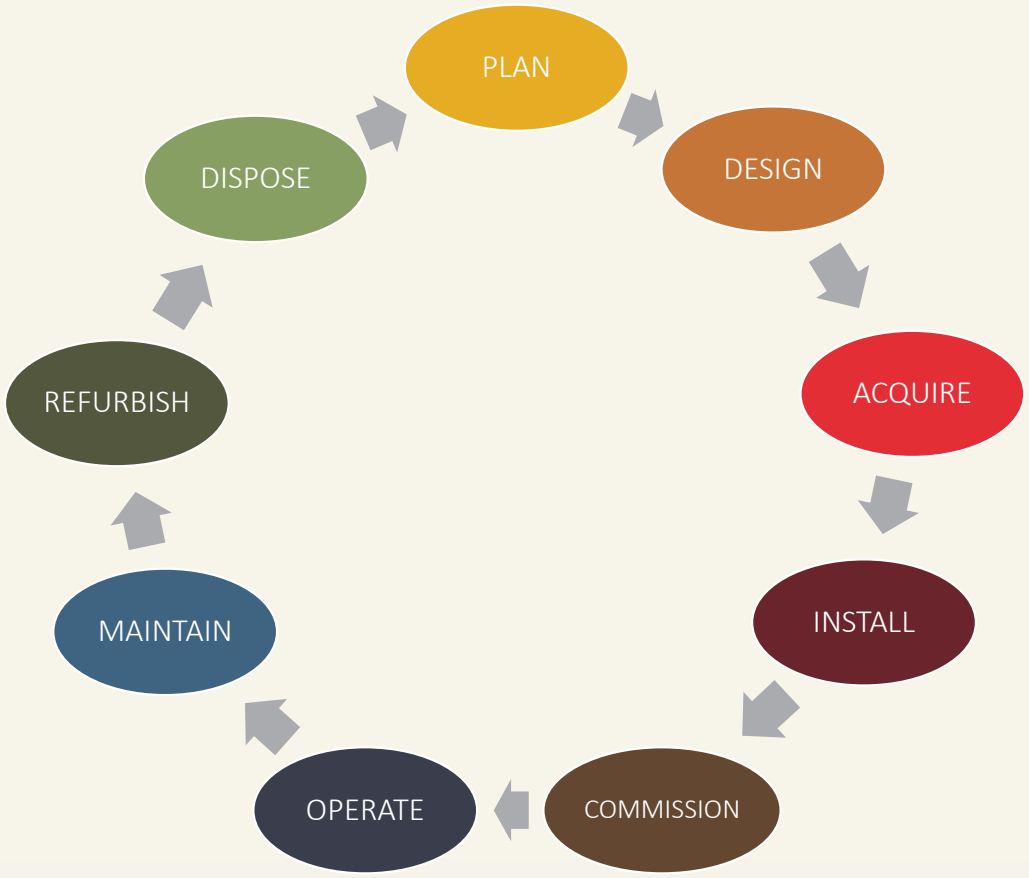
1.1 Project Initiation

April 2025

Asset management approach – asset lifecycle stages

Powerlink applies a structured whole of life Asset Management approach

The Asset Lifecyle Stages ensure we are managing our assets consistently and help maximise asset value throughout its life

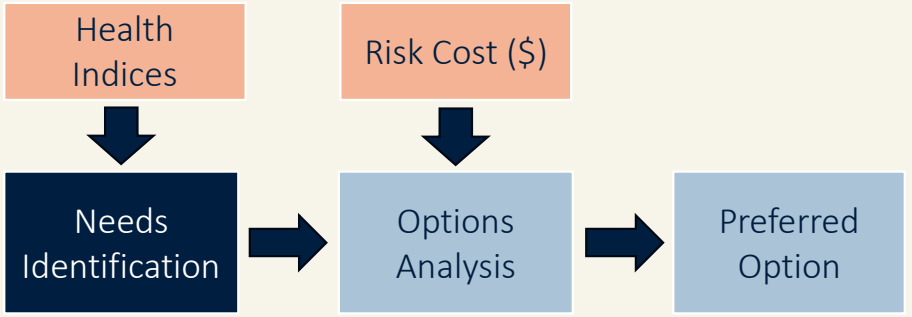


Asset reinvestment – needs identification

Reinvestment triggers include functional performance, safety, environmental and supportability (obsolescence)

Health indices provide a trigger to consider whether intervention is necessary, based on elements such as:

- Age
- Locational Factors
- Duty Factors
- Measured Condition Factors
- Responsive Maintenance/Repair

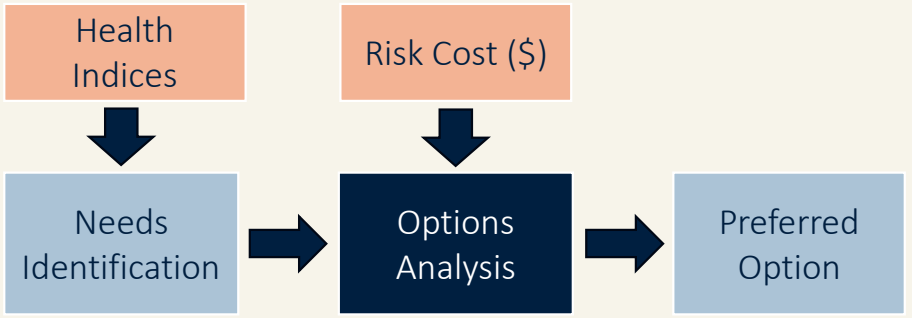


Asset reinvestment – options analysis

Risk cost is the equivalent monetised value of the consequences of failure of a particular piece of equipment

This approach allows for comparing options as part of cost benefit analysis with respect to the cost and mitigated risk

- In line with outcome of asset reinvestment review

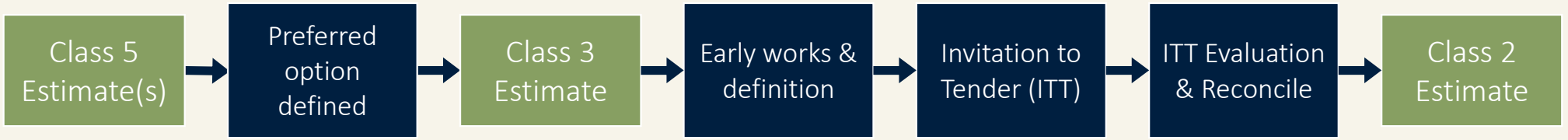


Subbu Brahmanayagam

1.2 Project Estimation

April 2025

Estimation process for regulated network

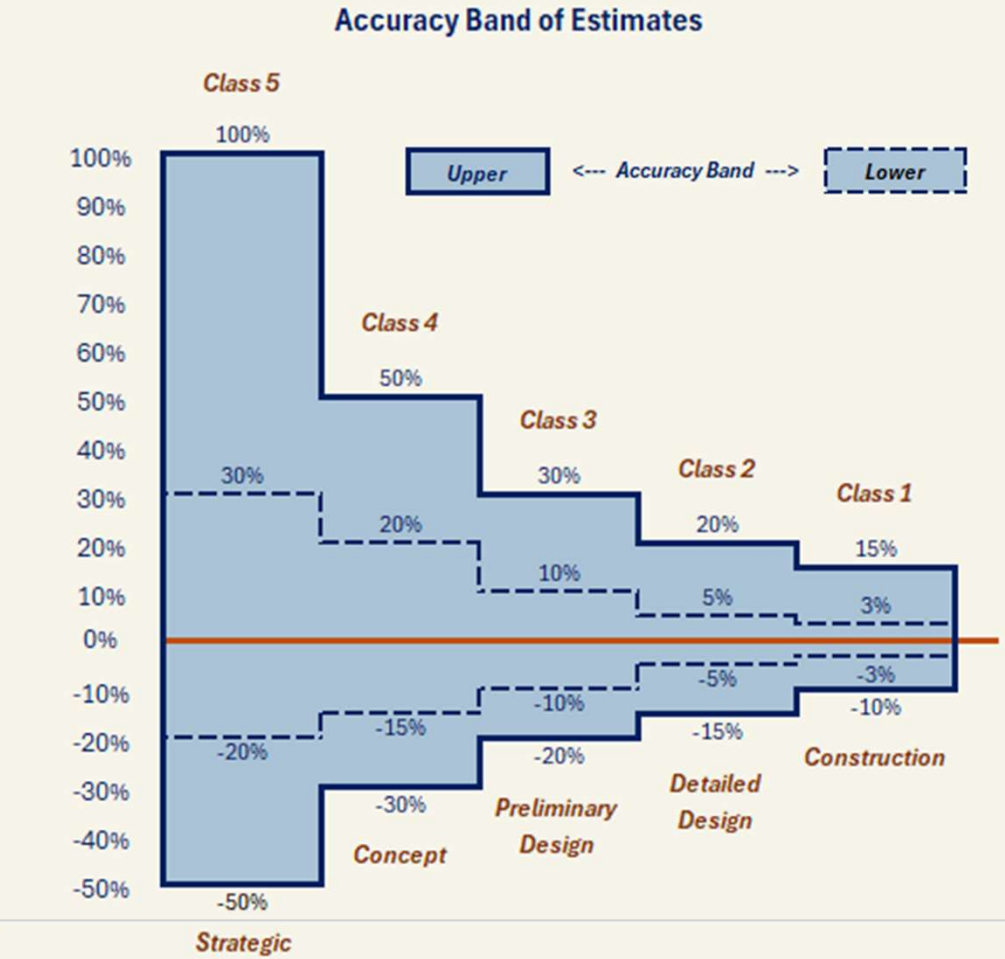


Powerlink's estimate maturity matrix

Estimation Inputs	Class 5	Class 4	Class 3	Class 2
Project Scope Report	Developed	Developed	Defined	Defined
Property (Easement, LH, CH)	Assumed	Preliminary	Developed	Defined
Environment (Fauna, Flora)	Assumed	Preliminary	Developed	Defined
Transmission Lines Design and Procurement	Preliminary	Preliminary	Developed	Defined
Substation Design and Procurement	Preliminary	Preliminary	Developed	Defined
Secondary Systems Design and Procurement	Assumed	Preliminary	Developed	Defined
Telecomms Design and Procurement	Assumed	Preliminary	Developed	Defined
Project Management	Preliminary	Preliminary	Developed	Defined
Construction Management	Assumed	Preliminary	Developed	Defined
Contracting (SPA, PATL, Refit)	Assumed	Assumed	Preliminary	Defined
Commissioning (FAT, SAT, Final)	Assumed	Assumed	Preliminary	Defined

LEGEND: Preliminary = high level information; Developed = progressed but not finalised; Defined = finalised

Accuracy of estimate classes



Aidan Lawlor

2. Forecasting Approach

April 2025

BAU Summary

- Robust process followed taking projects from initiation through to project approval, ensures prudent and efficient capital expenditure
- BAU process involves substantial commitment of time and resources from the organisation
- Developing a reasonable approach to forecasting for up to 7-9 years into the future – which balances resource requirements with customer outcomes – requires adaptation of our BAU process

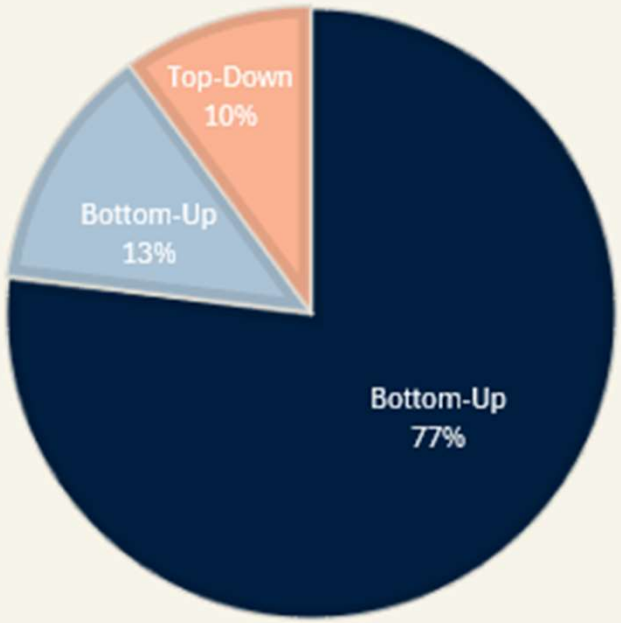
Recap on March meeting

Method	Supporting information	Make up of projects
Bottom-up Forecast*	Based on project specific supporting justification including: • asset condition assessment reports • project scopes and estimates • network planning assessments • risk/cost quantification • assessing most likely project solution (single option)	Projects with spend >$10m in the regulatory control period
Top-Down Forecast	Based on combining data from our asset management system, which will identify assets reaching end of their technical life in the regulatory control period, and cost data from our estimating system	Projects with spend <$10m in the regulatory control period

* Reduced supporting documentation will be available for those projects that are less mature, i.e. subject to greater uncertainty as the bulk of the spend falls towards the end of the RR27-32 period and beyond

Refinement of capex forecasting methodology

2024 TAPR forecasting category by total cost (%)

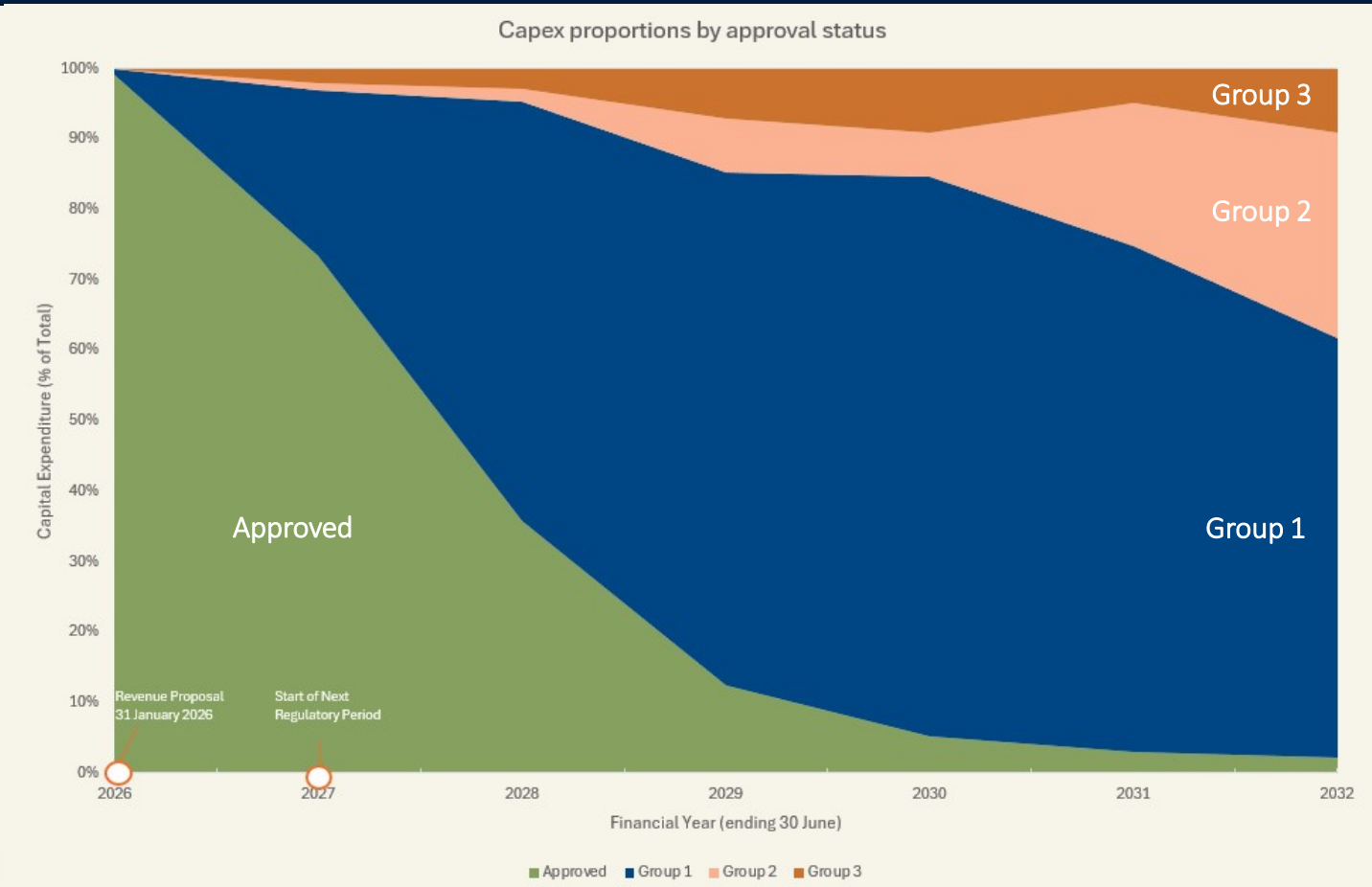


Initial Description	Classification
Bottom-up (>$10m)	Group 1
Bottom-up (>$10m later in period)	Group 2
Top-down (<$10m)	Group 3

Adapted approach for Revenue Proposal

Method	Supporting information	Key difference from BAU
Approved	• full BAU supporting information including class 3 or class 2 estimate	No difference
Group 1	• asset condition assessment reports • project scopes and estimates (class 5) • network planning assessments • risk/cost quantification	Assessing the most likely project solution (single option)
Group 2	• project scopes and estimates (class 5)	No condition assessment or planning needs assessment in most cases and again only assessing the most likely project solution (single option)
Group 3	Based on leveraging data from our asset management system, which will identify assets reaching end of their technical life in the regulatory control period, and cost data from our estimating system	No BAU supporting information

Application to our current forecast (regulated network)



Next steps

- Finalise the ‘Forecasting Methodology’ in the coming weeks
- Circulate to the RPRG for review by the middle of May
- Consider feedback and submit the final document to the AER by the end of June

Roger Smith

3. AER Framework & Approach Paper

April 2025

AER's Framework and Approach (F&A) – on a page

AER published a consultation paper on 3 April

The F&A addresses the approach to be taken for the 2027-32 regulatory control period, and addresses:

- Application of incentive schemes
  - STPIS – likely to apply version 6 of scheme, which is currently under review
  - EBSS – likely to apply, if satisfied will share efficiency gains/losses appropriately
  - CESS – likely to apply revised version, which is currently under review
  - SSIS – likely to not apply, as Powerlink has not proposed an incentive design
  - DMIAM – committed to further engagement to determine position
- Application of the current expenditure forecasting assessment guidelines – but need to consider the impacts of the inclusion of emissions reduction in National Electricity Objective
- Proposed application of depreciation based upon forecast capital expenditure in allowance to determine the opening regulatory asset base (RAB) for the 2032-37 regulatory control period

Submissions by 6 May

Application of the CESS (net carryover)

The CESS considers the capital expenditure allowance in the final determination for the current period as the efficient level of capital expenditure to meet obligations

- hence assumes any capital expenditure over the allowance as 'inefficient'

The AER's review into their CESS Guidelines sought views on whether the flexibility to reduce CESS penalties should apply to actionable ISP projects only or more generally

As stated in our submission in response to the AER's consultation paper

- Powerlink is strongly of the view that the AER should adjust the CESS penalty for actionable ISP projects where the expenditure is efficient and to extend this to all prescribed capital expenditure
- We also recommend that the AER exercise its discretion on this matter in assessing expenditure in current regulatory periods. Such an approach would be consistent with a broader requirement in the Rules[1] upon which the CESS was established, which is to take into account the circumstances of the TNSP.

[1] refer National Electricity Rules clause 6A.6.5A