Powerlink
2027-32 Revenue Proposal

Revenue Proposal Reference Group Meeting

March 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

Item	Duration	
Welcome and review of previous actions	10 mins	
1. Social performance	45 mins	
2. Capex forecasting methodology	45 mins	
3. Opex forecasting methodology	45 mins	
4. Other business	10 mins	

Actions

Ref.	Action	Responsible person	Due / status
1.1	Circulate the 2024 Queensland Household Energy Survey (QHES) questions	Wendy Miller	28/02/25 Complete
1.2	Circulate draft potential new research questions for inclusion in QHES	Wendy Miller	07/03/25 Complete
1.3	Set up additional session to review the capex forecasting methodology	Roger Smith	07/03/25 Ongoing
1.4	Circulate an updated paper on the criteria for capable of acceptance	Roger Smith	07/03/25 Complete
1.5	Update chart showing percentage of total controllable operating costs by category	Michelle Beavis	07/03/25 Complete
1.6	Include the potential impacts on the MAR arising from large capital projects	Roger Smith	With cut2 Ongoing

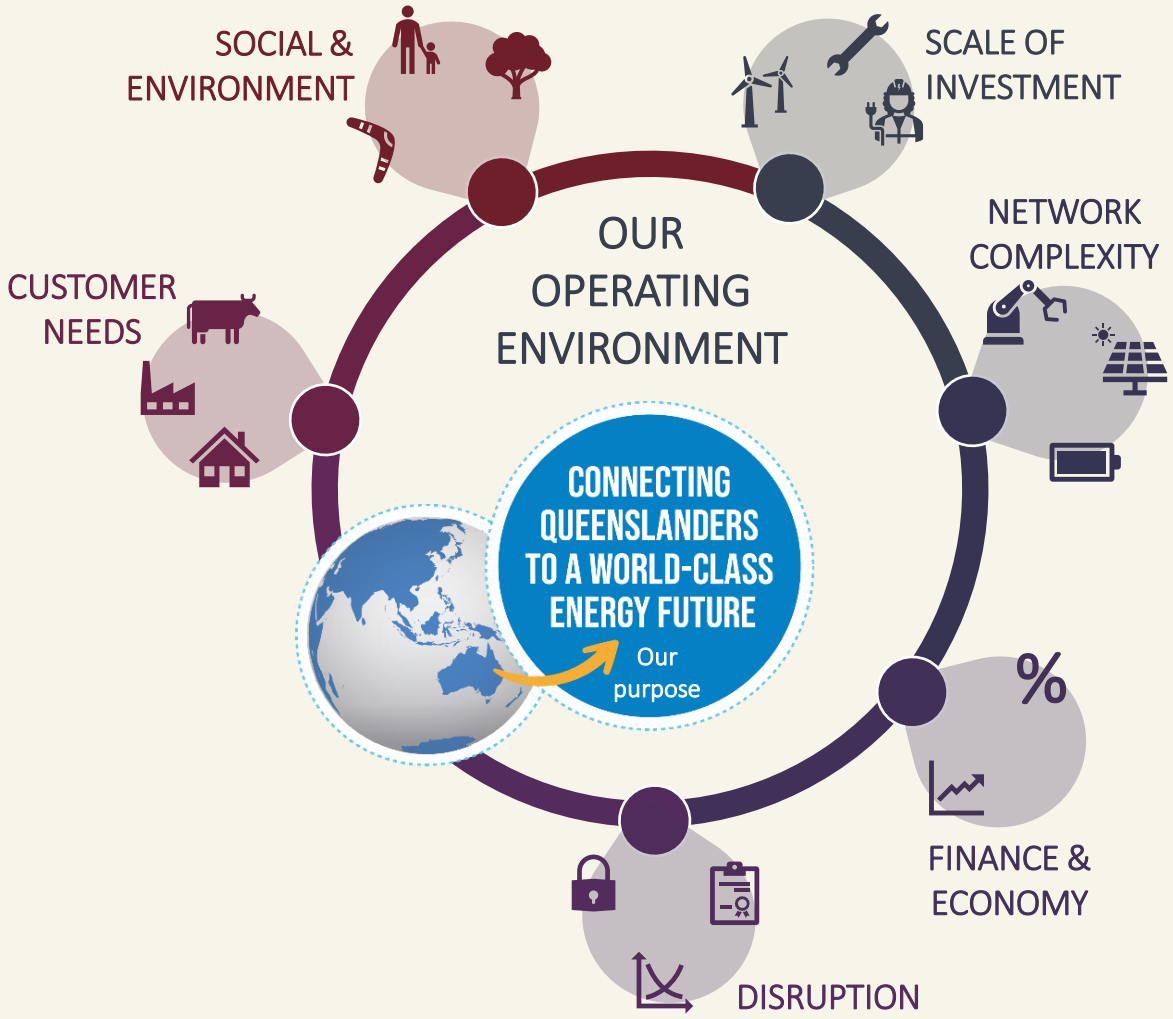
Business Narrative

Powerlink's operating environment is changing rapidly as customer needs and business drivers evolve

Drivers apply upward pressure on price and volume of investment needed to deliver Powerlink's purpose

Complexity, disruption and uncertainty will continue to drive change throughout the 2027-32 regulatory period

We must continue to provide prescribed transmission services at a reasonable cost.



Dana Boxall

1. Social performance

March 2025

Social change and energy transformation

Significant change

Uneven distribution

Low levels of trust

Community expectations

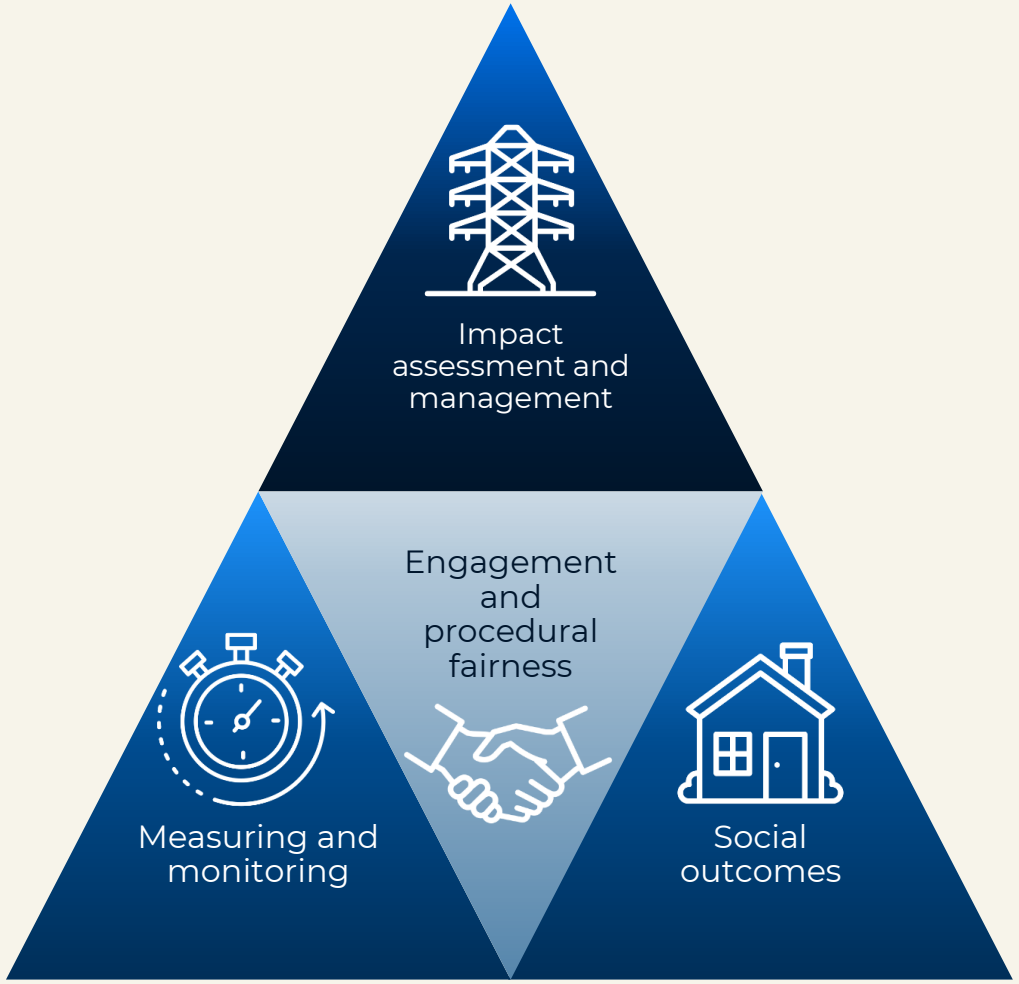
Regulation

What is social performance?

Social Performance is:

The **outcome** of a company's **engagement**, **activities** and **commitments** that can directly and indirectly impact stakeholders or affect the quality of its relationships with them.

A **management system** to address social risks and impacts on our business, people, communities and environment.



Benefits of investing in social performance

Enables

- REGIONAL DEVELOPMENT
- COST EFFICIENCY
- RELIABILITY

Avoids

- IMPACTS

- DELAYS

- CONFLICT

- COSTS

Delivers

- REPUTATION

- TRUST

- COMPLIANCE

- COMMUNITY BENEFITS

Social performance elements

Community insights & social risk analysis

Community engagement

Social impact assessment & management

Complaints and grievance management

Community benefits and social value

Monitor, evaluate and report

Community benefits

Our goal is to drive cross-generational benefits for Queensland communities through the creation of economic and social value.

To achieve this our key objectives are to:

- **enhance** community capacity, capability and resilience
- **stimulate** economic development and participation
- **support** community-led priorities

Leveraging opportunities for maximum impact

Driving beneficial outcomes for Queenslanders is core to how we work

Transmission Easement Engagement Process

1.	2.	3.	4.	5.	6.	7.	8.
Introduce project and determine corridor selection criteria	Corridor options	Recommended corridor	Final Corridor	On-site land studies	Easement alignment and negotiations	Planning and environmental approvals	Ongoing engagement and commitments

COMMUNITY INSIGHTS

Impact minimisation framework

AVOID

- Constraint analysis
- Stakeholder engagement / Community insights
- Final Corridor Refinement Process

MINIMISE

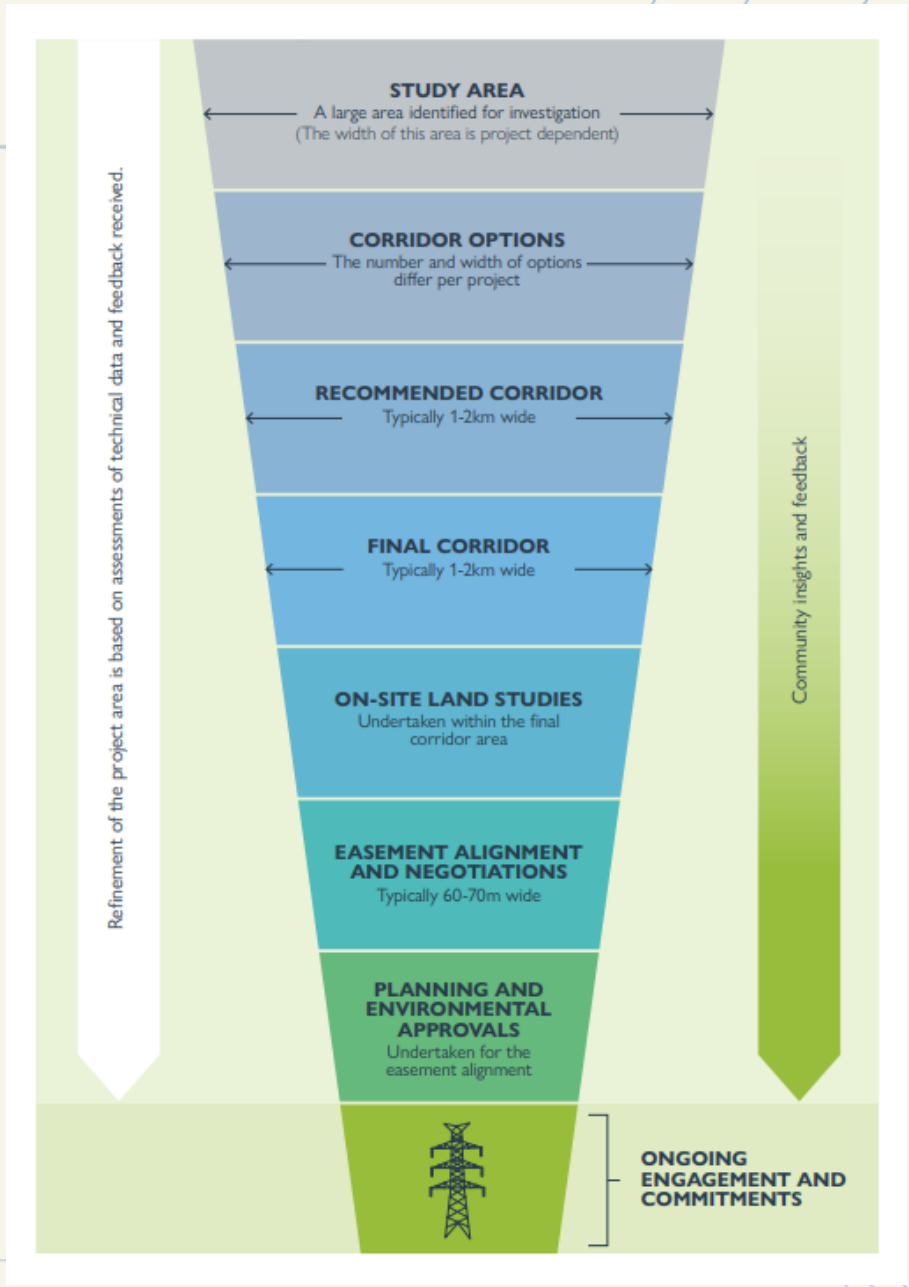
- Environmental Design Optimisation
- Innovative construction methodologies
- Operational / Asset lifecycle considerations
- Cost – Benefit analysis for impact reductions

MITIGATE

- Environmental Management Plan
- Specific mitigations for critical species

OFFSETS

- Direct or indirect offsets



Impact on the Revenue Proposal

Impact of implementing **Social Performance** on the Revenue Proposal is expected to be **low** and seeks to mitigate increased cost from project delays.

Transformation and non-regulated projects fall outside the scope of the Revenue Proposal

Majority of cost will be capitalised as part of project delivery

Magnitude is small relative to other capital cost components

Summary

Social licence is crucial for the successful implementation and sustainability of transmission projects and is supported through:

Benefits Sharing

Stakeholder Engagement

Community Engagement

Environmental Considerations

Is there any additional information needed by the RPRG to address this issue?

Inform Consult Involve Collaborate

Aidan Lawlor

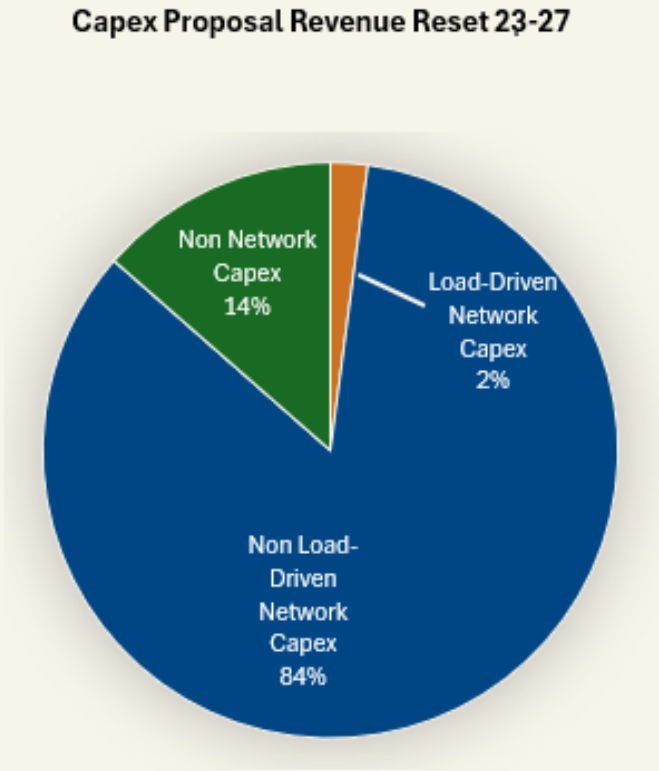
2. Capex forecast methodology

March 2025

What is capex?

There are three high-level categories of capital investment:

- Load driven (network) – to comply with mandated reliability obligations as electricity demand grows
- Non-load driven (network) – primarily associated with reinvestment in assets to maintain the required capacity or capability of the network, and investment to meet the need for services such as system strength
- Non-network – comprising business information technology and support the business assets required in the normal day-to-day course of business.



Capex forecasting methodology - options

What is top-down forecasting?

- Typically involves the use of historical data to forecast future needs
- Accuracy depends on similarity between past and future projects
- Generally effective for simple, recurrent expenditure

What is bottom-up forecasting?

- Typically involves identifying specific investment needs and solutions
- Can provide a high level of accuracy, but
    - time-consuming and resource-intensive
    - progressively less accurate when forecasting longer horizons

Capex forecasting methodology - options

Three options considered:

1. Hybrid+
   Same approach as 2023-27 Revenue Proposal using AER's Replacement Expenditure (Repex) Model and bottom-up for expected significant reinvestment needs

2. Full bottom-up

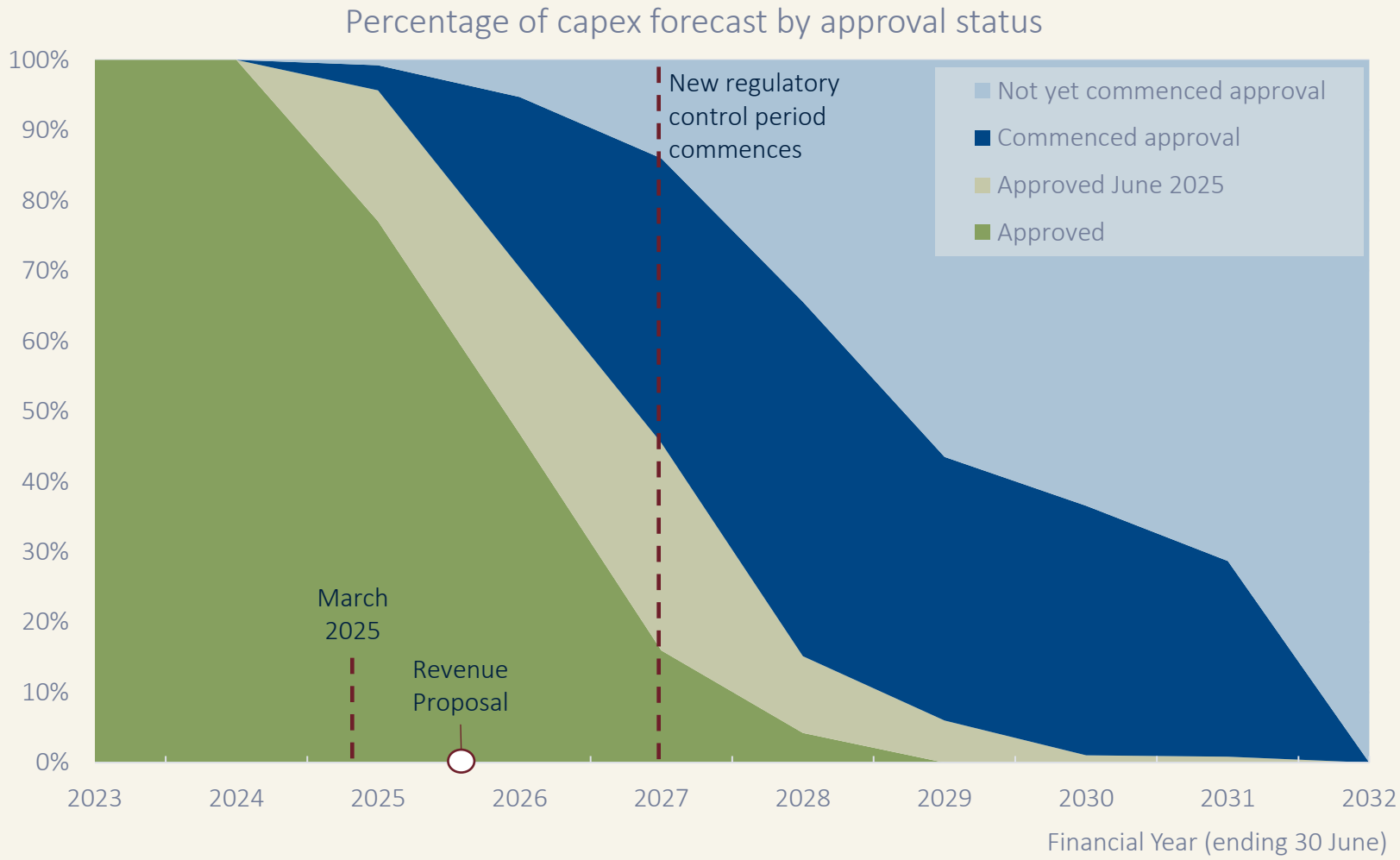
3. Hybrid
   A mix of bottom-up and top-down forecasting (without using the AER's Repex Model)

While the AER accepted Powerlink's approach for the 2023-27 Revenue Proposal, they indicated they did not believe the Repex model was suited to TNSP replacement capex*

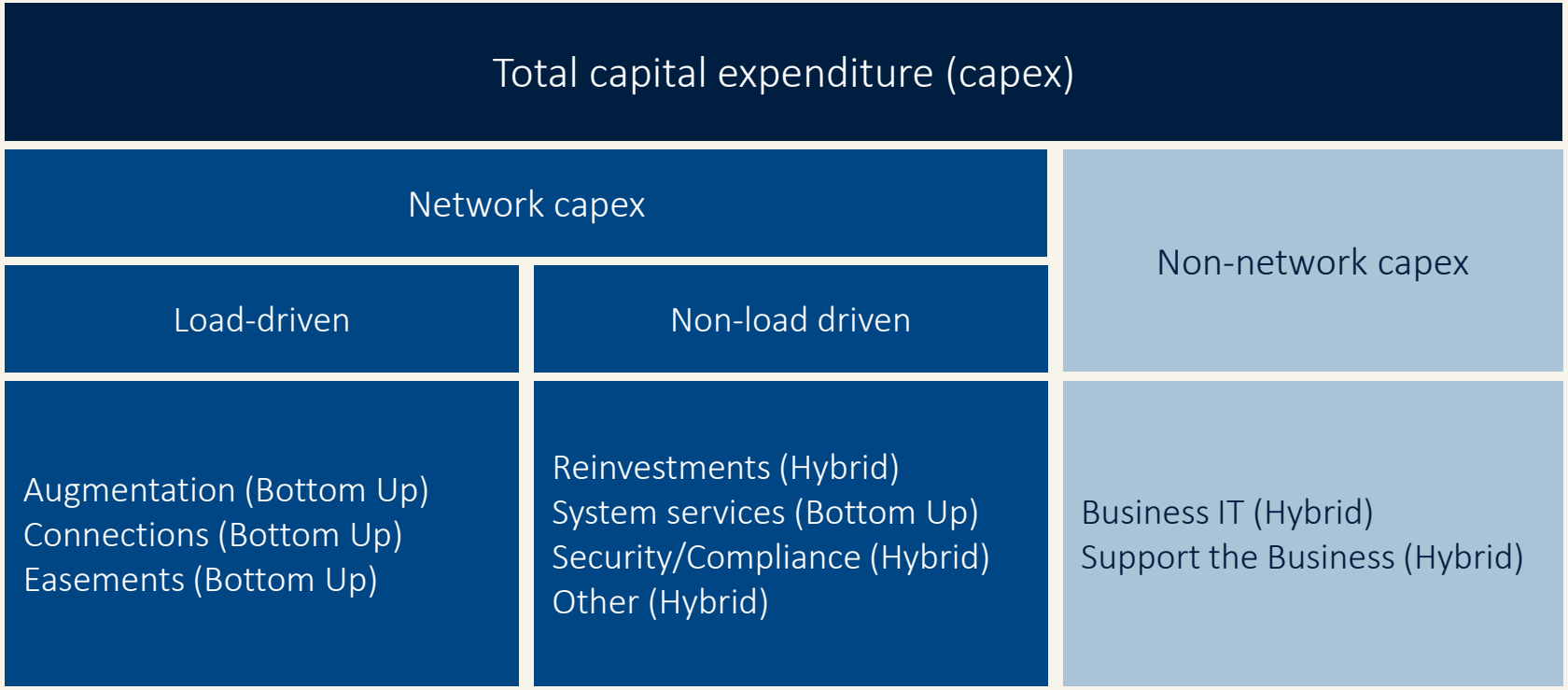
Our current thinking is use of a hybrid model and we are keen for customer and AER input on this approach

*AER , Draft Decision, Powerlink Queensland Transmission Determination 2022 to 2027, Attachment 5 Capital Expenditure , September 2021, page 20

Capex forecasting methodology – hybrid option



Capex forecasting methodology – hybrid option



For investments that have not yet commenced the 'BAU' approval process we will adopt a variety of forecasting methodologies determined by nature, category and timing of the need.

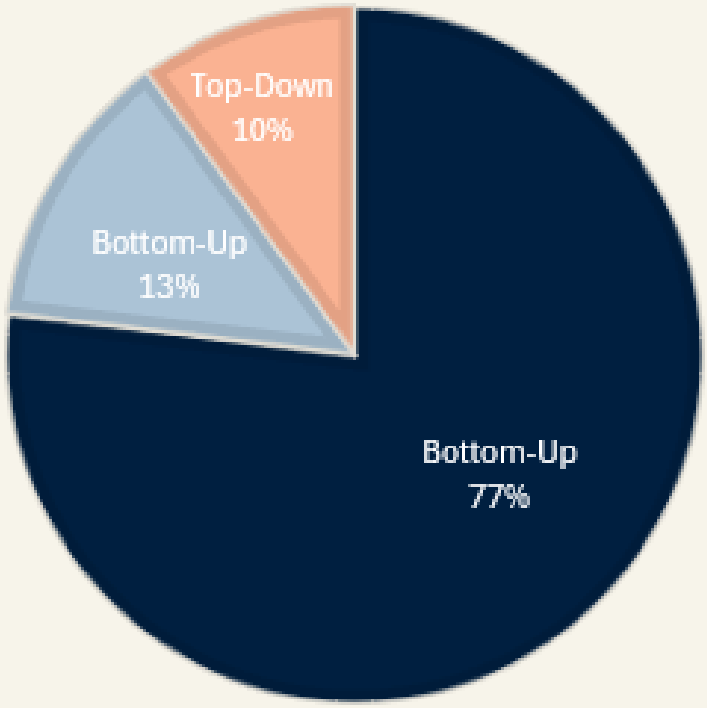
Capex forecasting methodology – reinvestment

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

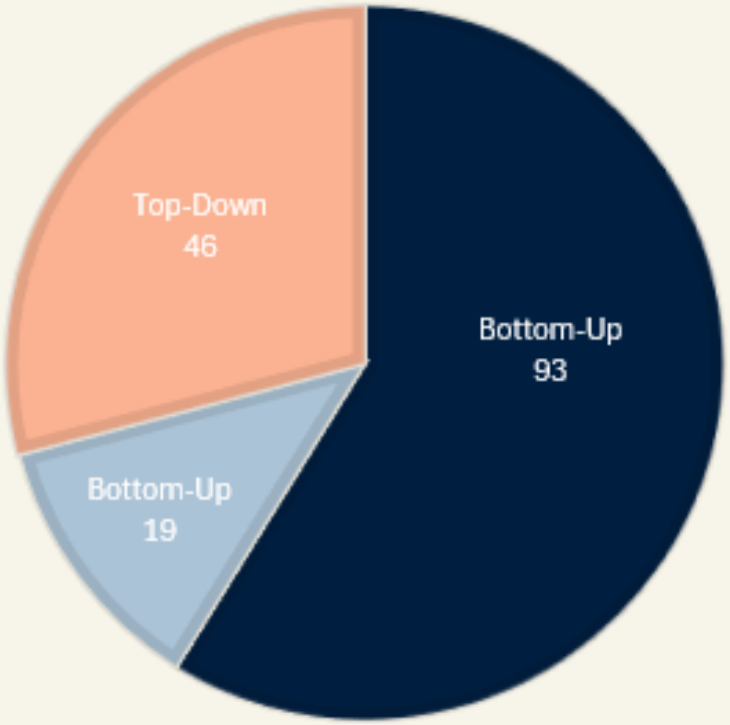
* Reduced supporting documentation will be available for those projects that are less mature, i.e. subject to greater uncertainty as the bulk of the spend falls towards the end of the RR27-32 period and beyond

Capex forecasting methodology – benefits

2024 TAPR forecasting category by total cost (%)



2024 TAPR forecasting category by number of projects



Capex forecasting methodology

Summary

Operating environment is changing at significant rate – with external factors driving cost outcomes

Seeking a reasonable approach that balances resources (cost) with outcome

Some consistency with previous approach, but targeted improvement for reinvestment forecast

Interactive discussion

Our proposed hybrid approach is intended to be a balance between effort (cost) and outcome to provide a reasonable forecast of future capex requirements while still meeting the requirements of the NER and AER Guidelines

What else should we consider to ensure we strike a reasonable balance from a customer perspective?

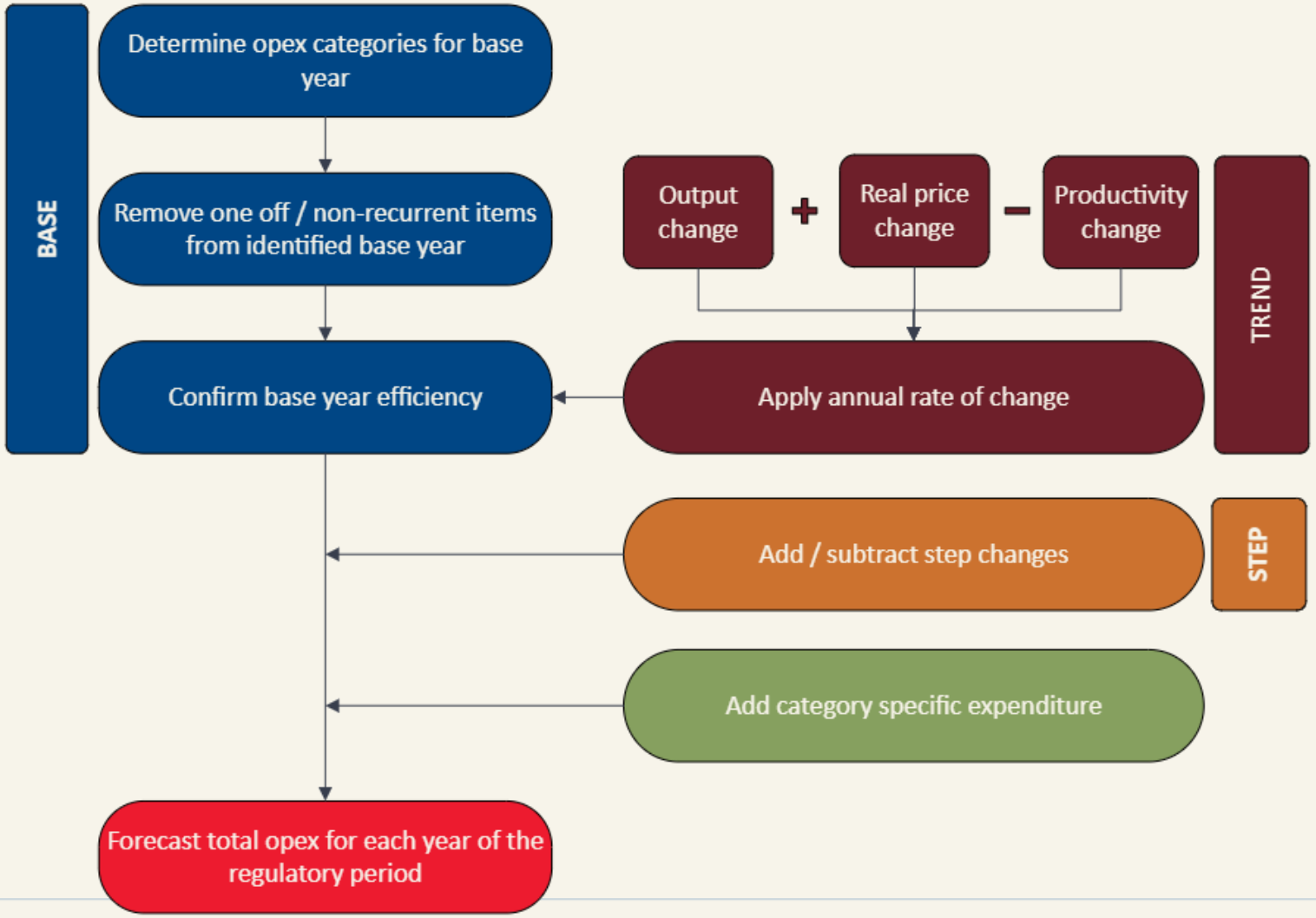
Finally, what areas of focus should we prepare for the requested ‘deep dive’ into the Capex forecasting methodology in April?

Michelle Beavis

3. Opex forecasting methodology

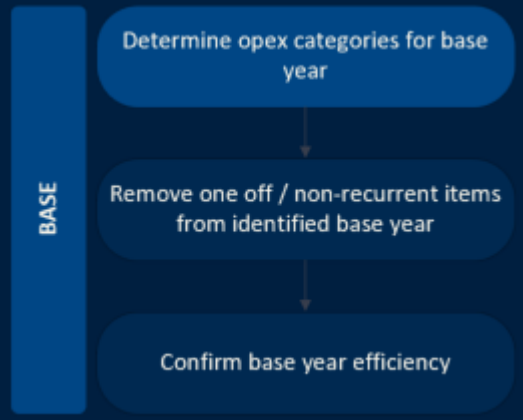
RPRG Meeting - March 2025

Opex forecasting methodology



We propose to apply the **BASE-TREND-STEP** approach preferred by the AER.

Opex Forecasting Methodology



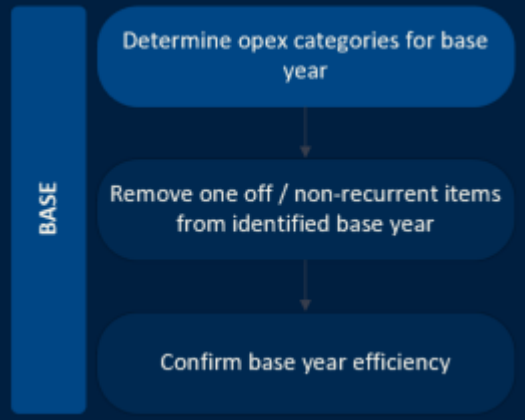
Operating Expenditure Categories

Operating Expenditure Categories

Total operating expenditure (opex)			
Controllable Opex		Non-controllable opex	
Direct operating and maintenance expenditure	Other controllable opex	Other operating expenditure	Category specific expenditure
• Field maintenance • Operational refurbishment • Maintenance support • Network operations	• Asset management support • Corporate support	• Insurances • AEMC levy	• Debt raising • Network support

We have retained the same categories of opex.

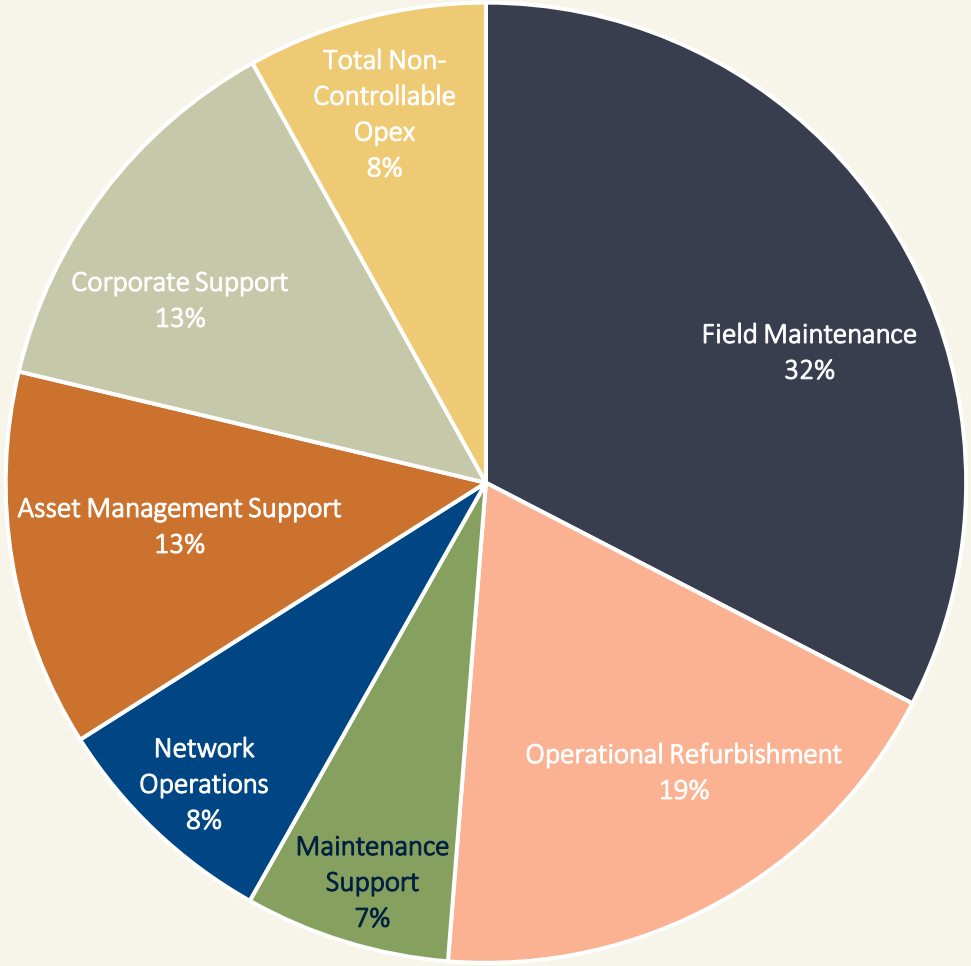
Opex Forecasting Methodology



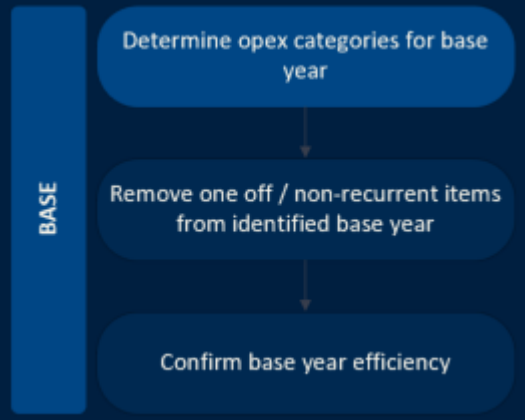
Operating Expenditure Categories

Operating Expenditure Categories

RP22-27 Allowance



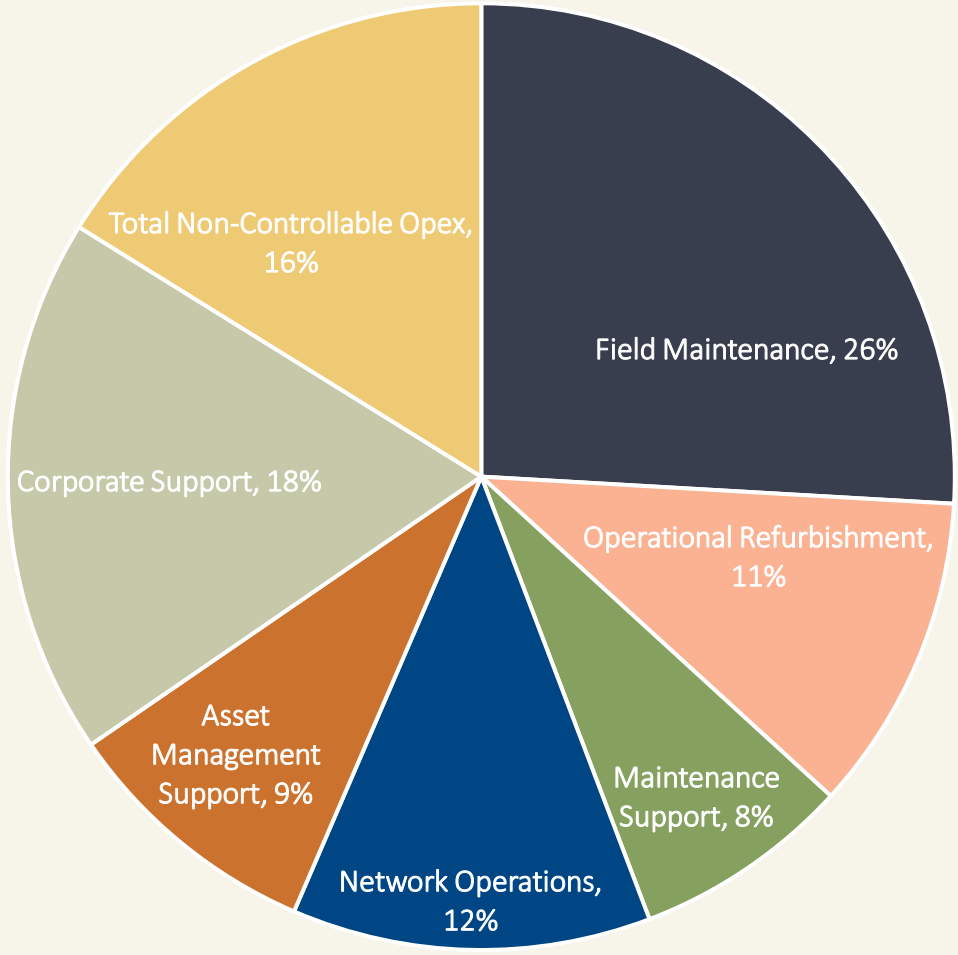
Opex Forecasting Methodology



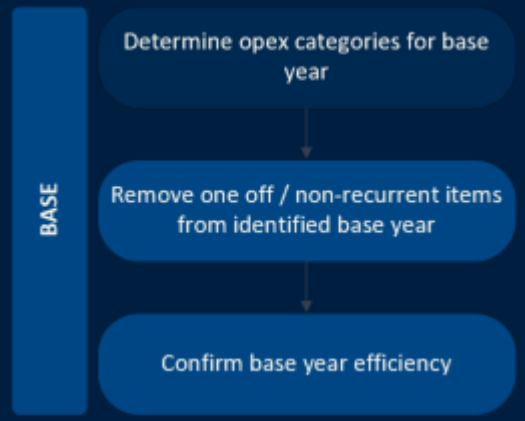
Operating Expenditure Categories

Operating Expenditure Categories

RP27-32 Allowance



Opex Forecasting Methodology



Select base year

- Propose to adopt FY2026 (Yr4) as the base year
  - Most recent revealed costs
  - Representative of our ongoing costs

Remove non-recurrent items

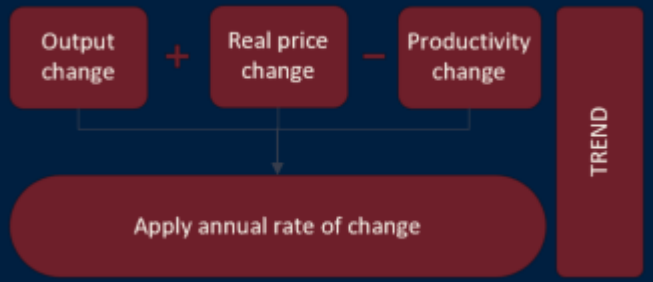
- Revenue Proposal
- Tower & Lines insurance

Demonstrate efficiency of base year

- AER latest published Annual Benchmarking Report
- Independent assessment

Selection of base year

Opex Forecasting Methodology



Output Change

Measure	Potential source or approach	Weighting
Energy delivered	AEMO Electricity Statement of Opportunities (ESOO)	14.91%
Ratcheted max demand	AEMO ESOO	24.71%
# Customers	Ergon & Energex Proposal + PQ	7.59%
Circuit length	PQ RINs + future forecast	52.79%

Outputs measures and their weighting as per AER Annual Benchmarking Report (November 2024)

Price Change

Measure	Potential source or approach	Weighting
Labour	Wage Price Index (WPI)	70.4%
Non-Labour	Zero real non-labour price growth	29.6%

Price change measures and their weighting as per Economic Insights Report TNSPs - Economic Benchmarking Results for the AER (November 2017)

Productivity Change

Measure	Potential source or approach	Weighting
Partial Productivity Factor	AER Benchmarking Report	100%

Industry average productivity growth as per the AER Annual Benchmarking Report (November 2024)

Opex Forecasting Methodology

Step Change Criteria (Better Resets Guideline)

Step Change Criteria

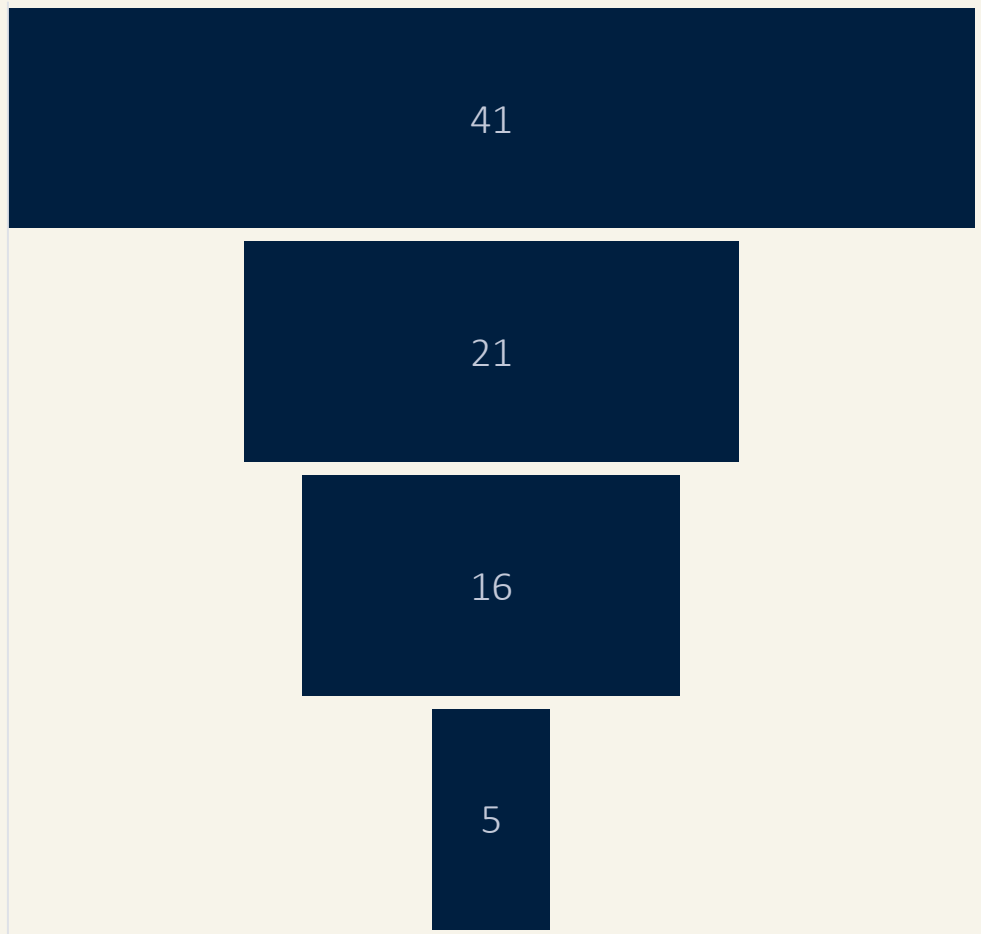
Limited to three criteria for drivers of change

- New regulatory obligation
- Capex/opex substitution
- Major external factor outside our control

Opex Forecasting Methodology

Changes identified	41
Step Change criteria met	21
Step Changes EXCLUDED from model	16
Step Changes INCLUDED in model	5

Step Change Summary



Opex Forecasting Methodology

Included step changes (as at March 2025)

Step change	Description	Driver
Security Uplift*	Costs associated with complying with our obligations under the Security of Critical Infrastructure Act 2018 (SOCI) and its subsequent amendments.	Regulatory obligation
Transition to cloud-based services*	Costs associated with the implementation and ongoing licencing of new cloud-based information and operational technology.	Major external factor
Network Complexity*	Costs incurred in addressing future challenges associated with operating in a complex and evolving transmission network.	Major external factor
Land Management Code	Costs associated with complying with our expected obligations under a new state government Land Management Code, which is currently under development.	Regulatory obligation
Arc flash compliance	Costs associated with complying with our new obligations under the Electrical Safety Rules (ESR) 2024 Act in relation to arc flash safety.	Regulatory obligation

*Included in Cut 1.

Opex Forecasting Methodology

Add category specific expenditure

Category Specific expenditure

Category	Description
Network support costs	Network support costs are considered as a cost pass through, therefore included as a category specific forecast to facilitate a pass through occurring.
Debt raising costs	Debt raising costs are transaction costs incurred each time a business raises or refinances debt. The AER's preferred approach is to forecast debt raising costs using a benchmarking approach rather than a business' actual costs in a single year.

Note: AEMC Levy was included as Category Specific expenditure in the 22-27 Revenue Proposal. This is being investigated for the 27-32 Proposal.

Benefits

Opex Forecasting Methodology

BASE-TREND-STEP is the AER's preferred approach for Operating Expenditure

This methodology is largely consistent with our previous revenue proposal and the approach adopted by other TNSPs.

Opex Forecasting Methodology

Discussion

Is there any other issue that we should consider and engage on for opex forecasting?

Are there any questions / comments on the proposed data sources for the opex trends?

Other business

1. Additional meeting – CAPEX forecasting methodology
2. Nomination of an ‘independent chair’ – to convene and coordinate responses from the independent members of the RPRG.