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24 September 2026

Ms Anna Collyer  
Chair  
Australian Energy Market Commission

Lodged online: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Ms Collyer,

### **Electricity Network Regulation Review Package 2 Consultation Paper**

Transgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper for Package 2 of the Electricity Network Regulation Review (the Consultation Paper).

As the Primary Transmission Network Service Provider and System Service Provider for NSW, Transgrid is responsible for delivering a substantial share of the network investment required to support Australia's energy transition. That investment requires access to significant amounts of capital to construct the transmission networks required to ensure households and businesses continue to have access to safe, reliable and secure electricity as we transition to a net-zero economy. The regulatory framework has an important role in facilitating the delivery of this investment.

Transgrid's experience over recent years shows that major network and system security projects face investability issues under the National Electricity Rules (NER) framework. At a time when significant network capital expenditure is required, targeted improvements to the framework are necessary to attract and retain the funding required to deliver the energy transition. The stability of the regulatory framework has been important in the context of investor appetite to date, but refinement to the regulatory treatment of large capital investments is still required to support the transition. Transgrid believes that better outcomes for consumers can be achieved through a framework that:

- supports predictability and trust in the regulatory determination process;
- enables sufficient flexibility to manage uncertainty, including via intra-period and ex-post adjustment mechanisms, and
- provides stable, predictable and risk-adjusted returns to attract investment.

Transgrid notes the importance of transitional arrangements that will allow customers of all networks to benefit from reforms, including via providing greater regulatory certainty to

investors at a time that it is most needed in the transition. The review is scheduled to take 24 months in total. Final recommendations are expected in late 2027, with any rule changes to follow, adding a further 12-18 months. Further, the effect of changes is not fully understood until they are given effect via AER Guidelines and assessments. The overall length of the process, the possibility of only commencing rule changes at the conclusion of the review and changes potentially only taking effect at the start of a network's subsequent five-year revenue period could mean any changes are up to seven years in the future.

In this context, investors are being asked to commit to new projects today with no understanding of potential changes to the regulatory structure that could alter their cash flow profiles and hence returns. Appropriate and complete consultation, as well as the consequential timely effect of agreed changes are essential to meeting the best interests of consumers across this critical period of the transition.

If you or your staff require any further information or clarification on this submission, please contact Rupert Doney, Head of Energy Policy, at [Rupert.Doney@transgrid.com.au](mailto:Rupert.Doney@transgrid.com.au).

Yours faithfully



Nadine Lennie  
Chief Financial Officer

## Summary

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This submission provides Transgrid's response to the Australian Energy Market Commission's (AEMC) Package 2 Consultation Paper as part of its Electricity Network Regulation Review (ENRR). Transgrid supports changes to the National Electricity Rules (NER) that support certainty and enable the timely and efficient delivery of the transmission infrastructure required as Australia transitions to a low-carbon future.

Our submission is structured as follows:

- Section 1 sets out how the unprecedented scale and complexity of transmission investment we are seeing challenges the existing framework and creates investability issues for major projects in particular.
- Section 2 covers our views on the suitability of the existing ex-ante framework, the role of mid-period adjustment mechanisms and targeted changes to support flexibility in the framework.
- Section 3 details our views on the need for changes to support NSPs' ability to manage risk associated with investing in non-network options (NNOs), along with the role of innovation funding in de-risking the adoption of NNOs.
- Section 4 covers our views on how to enhance the consumer voice, through clarifying the role of customer engagement in regulatory decision making so that its benefits are commensurate with its cost.
- Section 5 sets out our views on the need for the RORI to align with the ENRR's risk-allocation framework and where there are potential improvements that can be made to the revenue determination process.

Transgrid is a member of Energy Networks Australia (ENA). Transgrid contributed to, and endorses, the ENA submission and provides this separate submission to draw on our experience as a transmission network service provider (TNSP) delivering large greenfield projects, with Australian and international equity investors, and operating under both the NER and NSW framework and the Electricity Infrastructure Investment Act 2020 (EII Act).

# 1. The scale and complexity of transmission investment challenges the existing framework

## 1.1. Critical major projects face investability issues under the NER

In a power system that is relatively stable or undergoing moderate change, the current revenue framework would likely be sufficient to return efficient costs to investors over time and provide appropriate incentives to allow investments to occur in a timely and efficient manner. However, in the context of a rapidly changing power system with significant investment required in new transmission infrastructure, the current arrangements are not fit for purpose. They do not support the commercial feasibility of major projects. This is because the actual cost of funding projects is significantly higher than that provided for in the AER's rate of return instrument (RORI).

Transgrid's experience over recent years demonstrates the commercial feasibility problem faced by major transmission and system security projects under the current NER framework. Additional government support, concessional financing and alternative state-based arrangements are fundamental to investment. This has been the case for HumeLink, Victoria to New South Wales Interconnector West (VNI West) and synchronous condenser investments required for system strength. As outlined in the table below, each project has only been able to proceed, or will only proceed, with additional support outside the NER framework.

Transgrid also notes that securing additional financial support from, or making alternative arrangements with, government agencies is a lengthy process that has materially extended the project development process in the past. This means consumers must wait longer to see the benefits of projects, which are also incrementally more expensive to deliver.

Importantly, consumers do not benefit from avoided network expenditure if the result is delayed access to lower-cost generation, reliability risk or higher financing costs due to regulatory uncertainty. The long-term interests of consumers require efficient investment to occur at the right time and it is critical that the regulatory settings support timely delivery.

Table 1: Major Transgrid projects can only proceed with support outside the NER

| Project              | Total value                 | Alternative arrangements                                                                                                                                                                                                        |
|----------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>HumeLink CPA2</b> | \$3.96 billion <sup>1</sup> | Transgrid security holders committed \$1.5 billion, with Clean Energy Finance Corporation (CEFC) support comprising approximately \$450 million in concessional loan finance and \$1 billion underwrite for subordinated notes. |

<sup>1</sup> AER, *Determination – Transgrid HumeLink Stage 2 Contingent Project Application*, August 2024, available at: <https://www.aer.gov.au/industry/networks/contingent-projects/transgrid-humelink-contingent-project-stage-2/decision>

|                                          |                                                                                                           |                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>VNI West CPA1</b>                     | \$948 million <sup>2</sup>                                                                                | For CPA1 for the NSW section, Transgrid security holders committed almost \$700 million for early works, supported by \$140 million in CEFC concessional finance under Rewiring the Nation. <sup>3</sup>                                                                                                                   |
| <b>VNI West – NSW Substation Package</b> | To be outlined in Energy Co's South West RNIP recommendation report.                                      | The substation package is being progressed under the NSW <i>Electricity Infrastructure Investment Act (NSW) 2020</i> (EII Act) framework, with EnergyCo as Infrastructure Planner, rather than through a VNI West Stage 2 CPA under the NER. Transgrid and EnergyCo have developed a procurement strategy for the package. |
| <b>Phase 1 Syncons</b>                   | \$1.18 billion <sup>4</sup>                                                                               | Five synchronous condensers are proceeding as a NSW Priority Network Infrastructure Project under the <i>Electricity Infrastructure Investment Act 2020</i> (NSW), rather than through the ordinary NER pathway. <sup>5</sup>                                                                                              |
| <b>Phase 2 Syncons</b>                   | \$790 million <sup>6</sup> (estimate)                                                                     | The Phase 2 preferred option is not commercially feasible under the NER framework and additional support will be required for the project to proceed. <sup>7</sup>                                                                                                                                                         |
| <b>Project EnergyConnect</b>             | \$3.6 billion revised net project cost; original forecast cost was \$2.1 billion (2023 real) <sup>8</sup> | No additional support, but uncertainty remains over recovery of the overspend through Transgrid's capex reopener application.                                                                                                                                                                                              |

<sup>2</sup> AER, *Determination - Transgrid's Victoria to NSW Interconnector West Stage 1 Early Works Contingent Project Application*, May 2024, available at: <https://www.aer.gov.au/industry/networks/contingent-projects/transgrid-vni-west-contingent-project-application-stage-1-early-works/decision>

<sup>3</sup> Clean Energy Finance Corporation, VNI West gets greenlight for early works with \$700m equity commitment, securing 1000 jobs in regional NSW, 28 August 2024, available at: <https://www.cefc.com.au/media/media-release/vni-west-gets-greenlight-for-early-works-with-700m-equity-commitment/>

<sup>4</sup> Transgrid, *System Strength Project 2026-31 Revenue Proposal*, April 2026, available at: <https://www.aer.gov.au/documents/transgrid-system-strength-project-2026-31-revenue-proposal-april-2026>

<sup>5</sup> NSW Government NSW Government Gazette, *Priority Network Infrastructure Project Direction (System Strength Project) Order 2025*, No 376, 18 September 2025, available at: <https://www.gazette.nsw.gov.au/gazette/2025/9/2025-376.pdf>

<sup>6</sup> Transgrid, *Meeting system strength requirements in NSW – MCC final assessment*, August 2026, available at: <https://www.transgrid.com.au/projects-innovation/meeting-system-strength-requirements-in-nsw/>

<sup>7</sup> Ibid.

<sup>8</sup> AER, *Consultation paper - AER preliminary position on Transgrid's application to reopen the 2023–28 transmission revenue determination for Project EnergyConnect*, 1 September 2026, available at: <https://www.aer.gov.au/industry/registers/determinations/transgrid-determination-2023-28/update-application-reopen-capex-project-energyconnect>

## 2. Targeted improvements to the framework will ensure regulatory stability and enhance flexibility

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Historically, the regulatory framework has been effective in facilitating transmission investment to meet the needs of electricity consumers. However, network businesses have seen a shift from operating and maintaining a steady-state network to a step change level of capacity build out in an environment of increasing uncertainty. This has implications for investors who need confidence that network businesses will be provided a reasonable opportunity to earn an appropriate return on their investments and that the regulatory framework will remain stable and predictable, allowing efficient financing costs to be recovered. If the regulatory framework does not provide this certainty, attracting the capital required for investment becomes more difficult and riskier. This can delay the energy transition and ultimately reduce the timely receipt of benefits for consumers.

Transgrid supports the AEMC's provisional position that the existing ex-ante framework remains broadly fit-for-purpose. The priority for the review should therefore be targeted improvements to make the existing ex-ante framework more flexible, allowing networks to respond to unexpected changes and support timely investment.

### 2.1. Uncertainty is best managed by flexibility in the ex-ante framework

Transgrid considers that the increased use of mechanisms to adjust revenue during a regulatory period is a result of emerging drivers of uncertainty. For example, more contingent project applications (CPAs) are being driven by ISP and system-strength projects. These projects arise from decisions made outside the normal revenue determination process. Equally, more cost pass-through applications are linked to factors such as more frequent extreme weather events and changes in regulatory requirements. These developments are largely outside the control of network businesses. Rather than evidence of a problem, the application of adjustment mechanisms is a sign of the framework operating as intended to allocate and manage risk and cost in the way that best promotes the long-term interests of consumers.

Uncertainties for transmission network businesses primarily relate to the timing and location of demand growth driven by range of external factors, including large load growth and emerging system security requirements. While the NER appropriately recognises uncertainty by enabling projects to be treated as contingent, there remain aspects of system strength expenditure that do not align neatly with the existing CPA framework. This is on the basis that system strength needs are driven by the pace, location and technical characteristics of the entry and exit of generation and load, which remain highly uncertain beyond the near term. This creates a regulatory mismatch because revenue determinations occur every five years and system strength needs can emerge rapidly, with the volume and location of required services not always known in advance. Further, many system strength solutions are not large, discrete projects like traditional transmission augmentations and are portfolio-based in nature. This creates some tension between how system strength needs emerge and how expenditure approval mechanisms operate under the NER.

System strength requirements are best characterised as a portfolio management task rather than a series of discrete network augmentations. The efficient solution is frequently determined through iterative planning and procurement processes and may comprise a combination of network investments and contracted services. Therefore, application of traditional contingent project arrangements may not always provide sufficient flexibility to efficiently accommodate evolving system strength requirements, particularly where procurement outcomes materially influence project scope, timing and cost. Transgrid therefore supports ENA's proposed reform to enable contingent arrangements for credible programs of work where the need is foreseeable, but the exact timing or location is uncertain.

Uncertainties may also emerge in circumstances where a project is still in delivery and cannot be put on hold for ex-ante approvals without leading to significant increases in cost and outcomes that are not in the best interest of consumers. Improved flexibility in the framework therefore requires a combination of forward looking and in-period mechanisms to manage the risks associated with growing investment needs and uncertainty in major project delivery.

## **2.2. ENA rule changes identify existing gaps in flexibility mechanisms**

Energy Networks Australia (ENA) has submitted two rule changes that seek to address identified gaps in risks allocation for transmission businesses. The AEMC should consider those rule changes as part of ENRR where there is a clear interaction with related issues under consideration. The two rule changes are:

The Limited cost pass-throughs in contingent project applications (CPAs) rule change proposes to allow TNSPs to nominate, and the AER to approve, limited pass through events as part of CPAs, where the event is confined to the relevant contingent project and assessed using the existing nominated pass-through event considerations. The key benefits are improved and more consistent risk allocation for contingent and actionable ISP projects, lower expected costs for consumers by avoiding upfront allowances for risks that may not occur and continued AER oversight of prudent and efficient costs.

The cost recovery for AEMO Participant Fees rule change proposal enables TNSPs to recover the costs of the AEMO participant fees attributed to them directly from transmission customers, consistent with the transitional arrangement currently in place. The Rule change proposal is driven by increased uncertainty on AEMO fees which are not within the control of TNSPs.

## **3. Enhancements to support non-network options and innovation**

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### **3.1. Incentives for pursuing efficient non-network options**

While NSPs are required to examine non-network options (NNOs) as part of the RIT-T process, clear barriers exist to their deployment. Traditional network assets are typically approved through established regulatory processes, providing a high degree of certainty that prudent and efficient costs will be recovered over the life of the asset and providing consumers with certainty about the service assets will provide, and at what cost, as the asset is paid off

In contrast, many NNOs rely on ongoing procurement contracts, market-based services, or arrangements with third-party providers. These costs are often difficult to forecast over the duration of a regulatory period because they depend on evolving market conditions, contract availability, participant behaviour and technology costs. Where procurement costs increase beyond forecast levels, TNSPs may have limited ability to recover these additional costs, creating a material risk that efficient expenditure will not be fully compensated.

This risk is particularly acute because many NNOs require long-term service procurement rather than a one-off investment decision. TNSPs may need to periodically retender services, renegotiate contracts or replace providers as market conditions evolve. The future costs of maintaining the required service can therefore be highly uncertain. In contrast, the cost of a conventional network asset is largely incurred upfront and becomes relatively fixed once construction is complete.

The low maturity of many non-network technologies further compounds these challenges. A growing number of NNOs rely on technologies and services that have limited operational deployment at transmission scale, including grid-forming inverters, aggregated distributed energy resources, synthetic system services and other emerging flexibility products. While such technologies may offer substantial consumer benefits, there remains uncertainty regarding their long-term performance, availability, scalability and operational characteristics under a wide range of power system conditions. TNSPs – and therefore consumers – are therefore exposed to performance and reliability risks that do not arise to the same extent with established network infrastructure technologies.

Importantly, the consequences of underperformance can be significant. A TNSP may face additional procurement costs, the need for supplementary network investments, or scrutiny as to whether the original decision represented an efficient expenditure. This creates an asymmetrical risk profile whereby TNSPs bear greater exposure when pursuing innovative solutions than when adopting conventional network approaches. These additional risks cannot be easily contracted away.

The challenge is amplified by the pace of the energy transition. Non-network solutions often depend upon new markets and service providers that are themselves developing and may not yet have a demonstrated capability to provide critical system services over extended periods. The availability of providers, competitive tension in procurement processes and the durability of business models can all change rapidly. TNSPs consequently face risks regarding the future availability of services that are largely outside their control but which may nonetheless affect their ability to maintain compliance with reliability and security obligations.

The current framework therefore creates a misalignment between policy objectives and regulatory incentives. While TNSPs are expected to consider innovative and flexible alternatives to traditional augmentation, they face significantly greater uncertainty regarding both the recoverability of costs and the performance of emerging technologies. Transgrid therefore supports the AEMC to consider mechanisms to reduce these risks through enhanced cost recovery certainty, targeted pass-through arrangements, or explicit incentives.

Transgrid considers that changes to incentives are needed to make NNOs commercially viable for TNSPs. Certainty of cost recovery is an improvement on current arrangements, but it does not provide a sufficient risk-weighted return on investments made. The internal rate of return on such projects is negative, or zero under a best-case scenario. The current framework also requires TNSPs to take a very risk-adverse approach to commercial development of NNOs, which limits the form and structure of services and contracts which may be considered, and allocate all possible risks to proponents which may increase costs above efficient levels. Developing NNOs is costly and they carry demonstratable technical, commercial, compliance, and reputational risks as well as significant opportunity costs. Rational investors would not undertake development or enter into these contracts without a reasonable return.

### **3.2. An innovation allowance would support a broader range of solutions**

Transgrid supports further consideration of an innovation allowance as a necessary complement to any incentives to support NNOs. The existing Demand Management Innovation Allowance (DMIA) for transmission focuses on demand management solutions, limiting its application to research and development, trials or supporting market development for less mature technologies. We consider there are two immediate circumstances where an allowance could be usefully deployed to help consumers benefit from genuine innovation that will ensure the cost of the network is as low as possible over the long term.

First, an allowance may better support the development of a range of NNO to be considered 'technically feasible' in the RIT-T process. Currently technologies or approaches that have not already undertaken full proof-of-concept testing cannot be considered. An allowance could therefore be deployed to support proof-of concept-testing and to enhance the range of solution available to NSPs.

Secondly, the time taken to complete the RIT-T process generally extends to multiple years. Smaller, innovative NNO providers often struggle to commit the required resources across the entire process. If NSPs had access to a market development allowance, this could be used to help such firms remain engaged in the process. As a result, NSPs would have a broader suite of options to consider and from which to select the one that best promotes the long-term interests of consumers.

Importantly, any new allowance should be assessed using an approach that recognises the uncertain nature of research and development activities, while maintaining clear governance and transparency arrangements.

### **3.3. Existing barrier to cost recovery certainty for NNOs**

Transgrid notes that the NER Clause 6A.7.2(a) of the NER limits network support pass-through assessments to costs incurred in the "previous regulatory year". Recent AER

decisions, including the AER determination for Riverina BESS<sup>9</sup> confirm the practical implication of this overly narrow timing provision:

- efficient and prudent costs incurred prior to the previous regulatory year cannot be recovered
- this applies even where costs are clearly linked to approved network support activities and would otherwise be recoverable

This creates a material misalignment between cost incurrence and cost recovery, particularly for:

- multi-year procurement processes
- early-stage costs associated with investigating, developing and procuring non-network options, including those that form part of a Regulatory Investment Test for Transmission (RIT-T)
- legal and contracting costs that may precede service delivery by a material time period.

In *Improving the cost recovery arrangements for transmission non-network options* (the *NNO Rule Change*) the AEMC structured the rules to better align “cost recovery with the time at which services are provided and costs incurred” because “TNSPs will be better able to manage cash flow and reduce lumpiness of cost recovery.”

The removal of the “previous regulatory year” constraint in clause 6A.7.2(a) will improve certainty that efficient and prudent costs associated with network support arrangements can be recovered, even where those costs are incurred across multiple years.

## 4. Consumer voice in the regulatory process

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Transgrid sees customer engagement as integral to its business and ensuring our actions best promote the long-term interests of consumers. Ongoing dialogue with our customers and other stakeholders is essential to ensure we continue to provide services tailored to suit our customers’ and other stakeholders’ needs in a rapidly changing energy system. Customer input is therefore a key element of developing a regulatory proposal.

The AEMC notes that NSPs spent an estimated \$190 million on recent regulatory proposal preparation, consumer engagement and participation in the determination process. While broadly appropriate in the context of overall NSP operating expenditure of around \$5 billion, this expenditure needs to deliver benefits commensurate with its costs.

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<sup>9</sup> In the case of Transgrid’s Riverina BESS, the AER approved an allowance of \$3.07 million, while excluding \$1.71 million in preparation costs on the basis that it was incurred in the preceding year.

Transgrid has sought to materially uplift its engagement focus and quality in preparing its 2028-33 Revenue Proposal. While project led, this engagement is intended to effect cultural change within Transgrid more broadly to embed consumer perspectives in every day business decision making. Similarly, expenses incurred in preparing other components of a revenue proposal can have broader organisational benefits beyond the proposal such as improving expenditure justification, assessment and governance processes.

Our experience to date has been that understanding consumer views has provided direct and indirect benefits to Transgrid. It is improving accountability, transparency and the quality of our decision making process. Across the industry it is clear that customer engagement has improved the quality, focus and transparency of regulatory proposals. It has also provided the AER with opportunities to gain earlier insights on draft proposal positions and areas of consumer focus and interest.

However, the influence of our customer engagement on determination outcomes is less apparent. Practical reforms are needed to clarify the role of customer engagement in regulatory decision making. This includes guidance as to how and when the AER should be involved, whether there should be earlier engagement with the AER on the priority issues its decision making would benefit from and clearer articulation of how the AER has considered consumer engagement outcomes. This clarity would, in turn, support the continuous improvement of customer engagement practices over time – making the determination process more efficient and effective overall.

## 5. Additional areas for reform

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### 5.1. The allowed rate of return

Transgrid notes the AEMC's questions regarding whether the RORI enables appropriate compensation for risk within the regulatory package. Compensation commensurate with the risks involved in providing network services is critical because if NSPs are not provided a reasonable opportunity to recover efficient financing costs, efficient investment will not follow. This will ultimately result in customers bearing the cost of a less reliable and less timely transition.

The existing RORI framework has genuine short comings. Transgrid's recent submission to the AER's draft 2026 RORI identified these issues.<sup>10</sup> The central concern was that the draft RORI would move the allowed rate of return further away from efficient financing costs at a time when network businesses are required to finance major capital programs. In particular, Transgrid raised concerns with the proposed arrangements that risk creating a mismatch

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<sup>10</sup> Transgrid, *Submission to the AER's Draft 2026 RORI*, July 2026, available at: <https://www.transgrid.com.au/media/51sbujmk/10-july-2026-transgrid-submission-to-the-aers-draft-2026-rate-of-return-instrument.pdf>

between regulatory allowances and the actual financing costs faced by businesses undertaking large and variable investment programs.

Transgrid also highlighted that some aspects of the draft RORI departed from established regulatory reasoning and evidence without sufficient transparency or prior opportunity for stakeholders to respond. Confidence in the RORI depends not only on the final parameter values, but on a process that is predictable, evidence-based and consistent with the National Electricity Objective and Revenue and Pricing Principles. Taken together, these deficiencies leave Transgrid unsure whether the current framework provides sufficient confidence that NSPs can recover efficient financing costs and attract the capital required to deliver timely and efficient transmission investment.

Transgrid therefore supports refining the framework so compensation better reflects risk, in a way that will build investor confidence.

## 5.2. Improvements to the regulatory determination process

Transgrid also acknowledges that the AER and other stakeholders put significant effort into the development of a 'lighter-touch' regulatory determination pathway and we support the intent of any effort to make lengthy and complex regulatory processes simpler and easier. To this end, we consider that the requirement to submit a Cost Forecasting Methodology is a largely redundant element of the revenue reset process. In our view, it could be removed with little loss of regulatory oversight or stakeholder value. Transgrid are not aware of any recent instance where the AER or stakeholders have materially relied on, referenced or commented on a business's Cost Forecasting Methodology notification. In practice, regulatory scrutiny is directed towards the expenditure forecasts and supporting evidence contained in the revenue proposal itself, rather than the methodology notification.

The requirement was introduced in 2012 to facilitate early engagement between network businesses and the AER on forecasting approaches. However, the regulatory environment has evolved significantly since that time. The AER has since published a range of guidance materials, including the Expenditure Forecast Assessment Guideline, Better Resets Handbook and other supporting guidance, which clearly set out the AER's assessment framework, expectations and preferred approaches. There has also been a substantial increase in the level of engagement between network businesses and the AER throughout the revenue reset process. It is now common practice for businesses to share draft proposals, expenditure models, business cases and other supporting materials with the AER well before formal lodgement.

This is the approach being adopted by Transgrid. Ahead of submitting our revenue proposal, we have provided the AER with key early inputs, including our 2028-2033 First Look materials, expenditure models and major business cases, during July 2026. This type of engagement is more meaningful and valuable than the formal submission of a standalone Cost Forecasting Methodology.

More broadly, the AER has moved to greater reliance on standardised assessment methods over the last decade but also continues to deep dive on technical assessments at a business

case level. Transgrid appreciates this is integral to testing the efficiency and prudence of proposed spend. However, attempts to create more streamlined and targeted reviews will be critical as industry shifts from a steady state environment to an intensive investment period. There remains an opportunity to provide for less intensive determination processes where a responsiveness to incentive schemes, critical benchmarks and certain parameters are satisfied to create a process that aligns more closely with the original intent of 'CPI-X' regulation.