AusNet

Transmission Revenue Reset 2027–2032

Draft regulatory proposal for public consultation

31 July 2025

Acknowledgement of Country

AusNet acknowledges Aboriginal and Torres Strait Islander people as the Traditional Custodians of the lands on which we live and work. We pay our respects to Elders past and present, and celebrate their continuing connection to Country.

About the artist

As part of our reconciliation action plan we have commissioned an artwork by the artist Bitja (also known as Dixon Patten). A proud descendant of the Gunnai, Gunditjmara, Dhudhuroa, and Yorta Yorta tribes, with blood ties to Wiradjuri, Yuin, Wemba Wemba, Wadi Wadi, Monaro and Djab Wurrung, Bitja is deeply connected to his roots.

The artwork honours the strength in being part of a community, it honours our commonality as humans, but honours our diversity also and by having different views and experiences.

See AusNet's Reflect Reconciliation Action Plan

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Foreword

I am pleased to share our Draft Regulatory Proposal for the 2027-2032 Transmission Revenue Reset (TRR) period, a pivotal document that outlines AusNet's critical role in maintaining Victoria's transmission backbone. The scope of this proposed investment focuses specifically on Victoria's existing transmission network, which falls under the regulatory oversight of the Australian Energy Regulator (AER).

AusNet has consistently been one of Australia's lowest-cost transmission providers, with customer charges lower in real terms than those set at privatisation in 1996. This prudent stewardship of infrastructure that has not seen material investment since the early 1990s has delivered sustained value to Victorian consumers. However, our transmission assets, while robust and often exceeding lifespans of six decades, are increasingly reaching the point where renewal is necessary to maintain the safety and reliability Victorians depend upon.

We propose a $2.9 billion capital program to replace critical aging assets—fulfilling our core obligation as asset owner and operator. This program is not optional; it is essential to safeguard existing network reliability. Our program is prudent and efficient, underpinned by rigorous cost-benefit analysis that appropriately balances safety, reliability, and affordability. I acknowledge candidly that our proposal represents a significant cost increase for customers relative to recent prior periods. We do not propose this lightly, being acutely aware of electricity's essential role in Victorian lives and current affordability pressures.

More broadly, as Victoria transitions to 95% renewable energy by 2035, this energy transition requires substantial additional investments across Victoria's transmission network including new transmission lines, renewable energy zones, and interconnectors. We recognise the legitimate concerns about the cumulative cost impacts for Victorian customers from these concurrent investment programs.

These additional investments, planned and undertaken by other entities, are typically deemed contestable activities—meaning they are open to competitive tender rather than automatically assigned to the incumbent transmission company—and therefore represent separate investment streams essential for Victoria's energy future that are not regulated by the AER.

We also acknowledge the challenge the AER faces in discharging its obligations to customers when reviewing our proposal, as it only regulates part of Victoria's total transmission investment—unable to directly consider or control the costs and timing of the complementary programs, a dynamic that will likely compound over time.

This regulatory fragmentation makes it particularly important that our asset replacement investment enables and enhances the value delivery of other transmission investments across Victoria. A reliable, modern existing network provides the stable foundation that allows new transmission infrastructure to operate effectively and deliver its intended benefits. Without maintaining the integrity of our existing assets, new transmission investments risk operating on an unreliable backbone, potentially undermining their performance and increasing overall system costs.

Our investment therefore represents essential infrastructure that supports, rather than competes with, Victoria's broader transmission development program, delivering enhanced system reliability that benefits all Victorian electricity customers through improved network performance and reduced outage risks.

Through our Transmission Stakeholder Advisory Panel (TSAP), we have engaged extensively with stakeholders to develop this proposal, ensuring our plans reflect Victorian needs and aspirations. I thank TSAP members for their valuable insights into our asset stewardship responsibilities.

As Victoria navigates its energy transition, AusNet remains committed to fulfilling our essential role as custodian of the transmission infrastructure that will underpin the state's electricity supply for decades to come – now supported by a refreshed operating model that strengthens delivery capability, enhances digital integration, and improves responsiveness to stakeholder and system needs.

This consultation period provides an opportunity for broader stakeholder review as we work toward our formal submission to the AER by 31 October 2025.

David Smales

Chief Executive Officer, AusNet

Securing Victoria's energy future

Victoria's transmission network is the silent enabler of homes, businesses, and industry, serving over seven million customers and forming the backbone of the National Electricity Market. As new industrial loads like data centres increasingly seek reliable power in Victoria, and renewable generation grows in volume and complexity, maintaining a safe and dependable network has never been more important.

AusNet's regulated transmission business now faces its most significant replacement task in a generation. For the first time since the 1990s, we must undertake major terminal station rebuilds and renew large volumes of aging conductors and towers, while simultaneously responding to new threats like extreme weather and cyber risks. These investments are needed to sustain reliability, not to expand service levels. And while the energy landscape is evolving rapidly, our core responsibility remains unchanged: maintaining the shared transmission backbone so it can continue serving Victorians safely, affordably, and reliably.

This draft proposal outlines a capital program of essential asset replacement that has been shaped by strong engagement with our Transmission Stakeholder Advisory Panel and other key customers. We've listened closely to concerns about affordability, deliverability, and fairness, and have refined our plans accordingly. We are also carefully sequencing this work alongside VicGrid's new augmentation program to avoid duplication and drive value for customers. Our proposal does not overlap with the Victorian Transmission Plan or ISP projects—it enables them.

Deliverability is front of mind. We recognise that major infrastructure delivery is increasingly constrained by workforce, supply chain, outage availability, and planning approvals. As such, we are completing a detailed delivery assessment so that our final proposal reflects what can realistically be delivered over 2027–32. Where risks remain, we are open to using tools like contingent projects to manage those risks transparently with customers and the AER.

Maintaining network reliability isn't a discretionary choice. It's the foundation that supports new investment in renewables, electrification, and industrial growth. We're committed to doing this work prudently, efficiently, and transparently. That includes being clear about the impacts on customer bills and inviting feedback from all stakeholders before we finalise our submission.

With this draft proposal, we take an important step in securing the future of Victoria's transmission network. I thank all stakeholders who have contributed their insights so far, and encourage continued engagement as we work together to build a resilient and customer-focused energy future.

Liz Ryan
Executive General Manager, Transmission, AusNet

Perspectives from the Transmission Stakeholder Advisory Panel

AusNet's Draft Transmission Revenue Reset (TRR) Proposal for 2027–2032 is a complex undertaking that outlines the expenditures needed to maintain, upgrade and future-proof Victoria's existing transmission network through a time of energy system transformation. The TSAP's role has been to bring a range of industry perspectives to observe, test and assess AusNet's approach.

The TSAP commends AusNet for the transparency, openness and professionalism of its engagement process. The TSAP notes the quality of content provided, the responsiveness to questions, and a genuine willingness from AusNet to have their assumptions tested and to respond to challenges. This approach has allowed for a constructive engagement process.

The scale of capital expenditure in the TRR is a significant step change that will impact consumer bills. Affordability remains a dominant concern of the TSAP. The TSAP encourages AusNet to best safeguard that the cost allocation to customers, be they regional, vulnerable, large or small, is fair and reasonable. The TSAP encourages the consideration of equitable tariff design, and the clear communication of impacts to customers.

The deliverability of the capital program has been a focus of the TSAP. Resource constraints, equipment availability, supply uncertainty, and inflationary pressures pose risks to timely and efficient project delivery.

This is particularly concerning considering that other transmission plans will impact Victoria in the same period, notably the Victorian Transmission Plan, and the Integrated System Plan. We have questioned whether the current economic timing model, which can defer investments based on economic timing principles, is the best model for this critical TRR period.

The policy and planning landscape around transmission in Victoria is complex and layered. The interaction between the TRR, the Victorian Transmission Plan, and the Integrated System Plan must be managed carefully to avoid duplication, inefficiencies, and confusion for consumers. Greater coordination across regulatory and planning frameworks is encouraged.

Finally, the TSAP emphasises the importance of ongoing transparency and accountability in the 2027-2032 reset period. We support mechanisms such as post-investment reviews, delivery reporting, and ongoing stakeholder engagement to so consumers continue to receive value for money.

On behalf of the TSAP, I thank AusNet and all involved stakeholders for their commitment to a fair and open process.

Glenn Orgias
Chair, Transmission Stakeholder Advisory Panel (TSAP)

Overview and purpose

1 Overview and purpose

This document sets out our draft expenditure and service plans for our electricity transmission network for the period 1 April 2027 to 31 March 2032. Our five-year plan, referred to as a Revenue Proposal, must be lodged with the Australian Energy Regulator (AER) by 31 October 2025. The AER will assess our plan and set our revenues, which will affect the price customers pay for electricity, as well as the types and quality of services we deliver. The AER assesses our plans against the National Electricity Objective – that is, that it is aligned to customers' long-term interests.

This draft proposal has been informed by engagement with the Transmission Stakeholder Advisory Panel (TSAP) and other customers and stakeholders, and our understanding of the key challenges and expenditure requirements for the transmission network.

The draft proposal also acknowledges the broader policy context, including the Victorian Transmission Plan (VTP) and and the Australian Energy Market Operator's Integrated System Plan (ISP). However, its primary purpose is to outline AusNet's replacement expenditure needs. It is not intended to propose expenditure for augmentation programs, which are subject to separate processes.

We are seeking feedback

Before we start engaging formally with the AER, we are seeking customer and stakeholder feedback on our draft proposal and will take this feedback into account when finalising our plans. To assist customers and stakeholders, we have highlighted questions throughout this document that may help guide submissions. While these questions may assist stakeholders in preparing their submissions, all submissions are welcome and there is no requirement to answer any or all of these questions. We will be accepting feedback until 30 August 2025*.

This draft proposal is designed for informed stakeholders such as regulators, industry participants and large energy users. However, we have also included plain-language summaries, visual aids and contextual explanations to make it accessible for community members and smaller customers.

*Submissions received after 30 August 2025 may still be reviewed and, where possible, incorporated into the Proposal, but this is not guaranteed.

We want your feedback

We value your voice and opinions. Share your thoughts on our draft proposal and help shape the future of the transmission network by providing feedback through the following options:

Email

Email us at engagement@ausnetservices.com.au

Please make sure to clearly reference the page or section of this document that your feedback or comment refers to.

Community Hub

Complete our feedback form on Community Hub.

Public webinar and Q&A session

We will hold a webinar and Q&A session on Friday 15 August. You can attend this virtual session to share your feedback and ask questions in real time. Sign up for this session via this form on our Community Hub.

Write to us

Attn: Regulation Team, Re: TRR 2027-2032
Locked Bag 14051 Melbourne City Mail Centre
Melbourne VIC 8001

Want us to meet with your organisation or community? Email us at

engagement@ausnetservices.com.au

Key engagement areas

2 Key engagement areas

Our draft proposal considers a range of pressing challenges and emerging opportunities, and includes a suite of targeted investments to address them. We invite your feedback on all aspects of the draft proposal, but suggest considering the areas below in your submissions.

Significant network investment resulting in higher customer bills

We are entering a period where significant investment is needed in our network. We forecast that $2.9 billion in capital expenditure is required during the next regulatory period to maintain reliability and safety, help address emerging resilience risks and meet the future needs of the transmission network.

This will result in an increased transmission component of customers' bills at a time when large augmentation programs identified by the Victorian transmission planners – the Australian Energy Market Operator (AEMO) and VicGrid – also puts upward pressure on prices.

The detailed assessment of AusNet's capacity to deliver the capex program as proposed has not yet been completed but will be reflected in the proposal we submit to the AER in October 2025. This deliverability review may result in further reductions to the capex program.

Have we struck an appropriate balance between investing in the reliability of the network and the financial impact on our customers?

New areas of expenditure




Landholder engagement

see section 6.1 for details

We propose to improve the way we engage with host landholders who have our transmission towers, lines, and other infrastructure on their properties. Respectful and productive relationships with landholders will help us deliver projects on time and within budget.

We propose spending $13.9 million to:

- upgrade our systems
- employ more staff to improve and increase landholder engagement
- maintain and upgrade the network.

Would our proposal make a meaningful difference to landholders? Are the costs and benefits of the proposal acceptable to our customers?

Tower strengthening

see section 6.2 for details

Through independent assessments, we have found that very strong localised winds (known as convective downbursts) contributed to recent tower collapses in Cressy (January 2020) and Anakie (February 2024). Based on a subsequent risk assessment, we propose a $33 million investment to reinforce towers identified as most vulnerable to convective downbursts.

The rest of our capital expenditure is targeted at replacing assets in poor condition. These towers are still in good condition, but the wind strengths now being observed can exceed their original design specification.

Have we struck an appropriate balance between investing in network resilience and the costs to customers?

Low span remediation

see section 6.3 for details

Transmission infrastructure can pose a risk to those operating under it – for example, operating large farming vehicles and machinery under low span clearances.

We propose to invest $95 million to raise the height of 114 spans – six in the current 2023-27 regulatory reset period and the remaining 108 spans in the 2027-32 period.

Low spans with low risk (a total of 1,603) will not be physically altered but will remain under active monitoring and control. We consider accepting this level of risk balances landholders' and customers' interests, given the additional costs of including the 1,603 lines in the program. It also allows us to focus resources on projects that address greater risks and deliver more overall benefits to customers.

Have we struck an appropriate balance between investing in public safety and the costs to customers?

Deliverability

see section 4.5 for details

Our ability to deliver the capex program in this draft proposal must be assessed alongside other capital drivers including customer-initiated work (e.g., Battery Energy Storage Systems (BESS) or data centre connections) and network augmentation works under VicGrid's inaugural Victorian Transmission Plan. Together, they represent a significant uplift in delivery.

AusNet is actively engaged in gaining a deeper understanding of deliverability challenges, including working to confirm understanding of VTP and customer-initiated projects across the 2027-32 period. As noted above, this deliverability assessment will be completed and reflected in the proposal AusNet submits to the AER in October 2025.

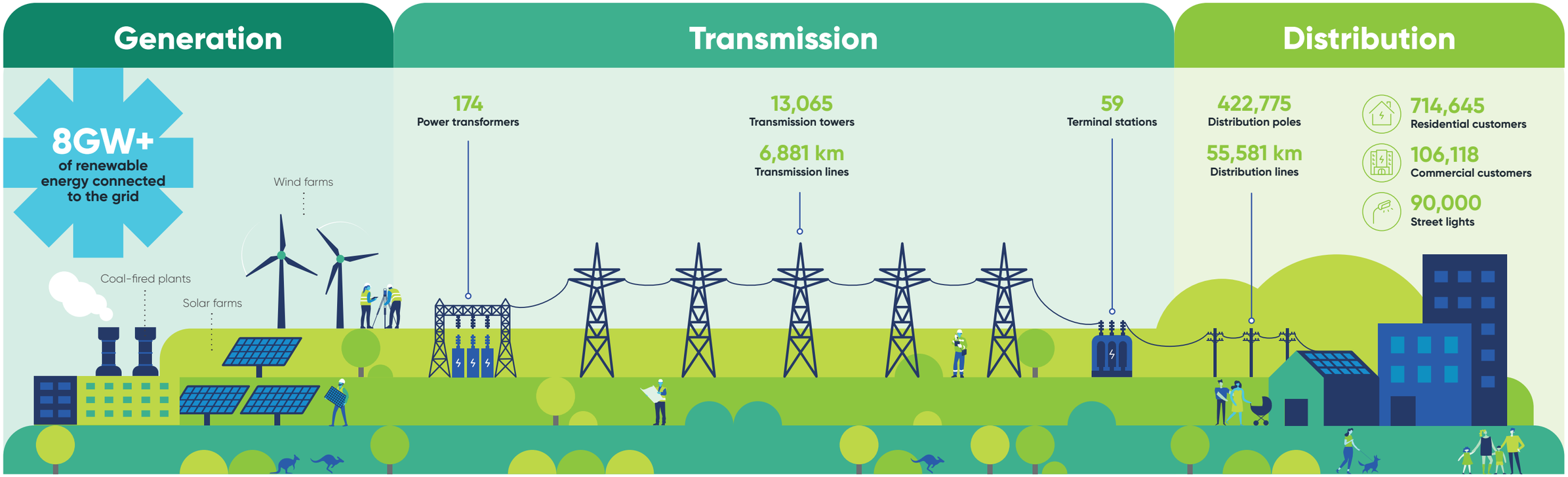
We encourage your feedback on the approach AusNet is taking to deliverability, outlined in this proposal.

What do you think is the most appropriate approach to share deliverability risk between AusNet and its customers?

Our transmission network

3 Our transmission network

3.1 Our role in the energy supply chain



▲ Figure 1: AusNet's role in the electricity transmission network

Source: AusNet

We own and operate 99% of Victoria's electricity transmission network delivering power to more than 7 million Victorians.

Our high-voltage transmission lines—ranging from 220,000 volts (220kV) to 500,000 volts (500kV)—transport electricity from generation sources, such as power stations and renewable energy facilities, to areas of high demand. At terminal stations, the voltage is stepped down before being distributed to homes and businesses by local distribution companies AusNet, CitiPower, Powercor, United Energy and Jemena.

Three key customer groups interact directly with the transmission network:

Generators depend on the transmission network to deliver electricity to the wholesale market. We provide the infrastructure that connects each generator to the grid.

Directly connected customers are large industrial users—such as Alcoa's aluminium smelter in Portland—that receive electricity at very high voltages directly from the transmission network. Smaller customers, connected via the distribution network, pay transmission charges through their electricity bills.

Victorian distribution companies pay for the infrastructure that links their networks to the shared transmission system.

Our network also plays a vital role in supporting the broader National Electricity Market by connecting Victoria to New South Wales, South Australia and Tasmania.

Interconnection allows each state's energy system to support the others, making the overall national energy grid stronger.

3.2 Our geographic coverage

Our electricity transmission network includes more than 6,600 kilometres of transmission lines.

The strong backbone of the Victorian transmission network runs from the Latrobe Valley to Melbourne then west to Geelong and the Portland aluminium smelter. From this backbone, the network is interconnected with Tasmania, South Australia and New South Wales (and indirectly with Queensland). Smaller transmission lines take power to regional towns like Ballarat, Bendigo, Shepparton and Red Cliffs near Mildura.

As both the state and the transmission network evolve, new transmission towers and lines will need to be established in areas more suitable for renewable generation to keep pace with the energy transition.

▲ Figure 2: The Victorian electricity transmission network

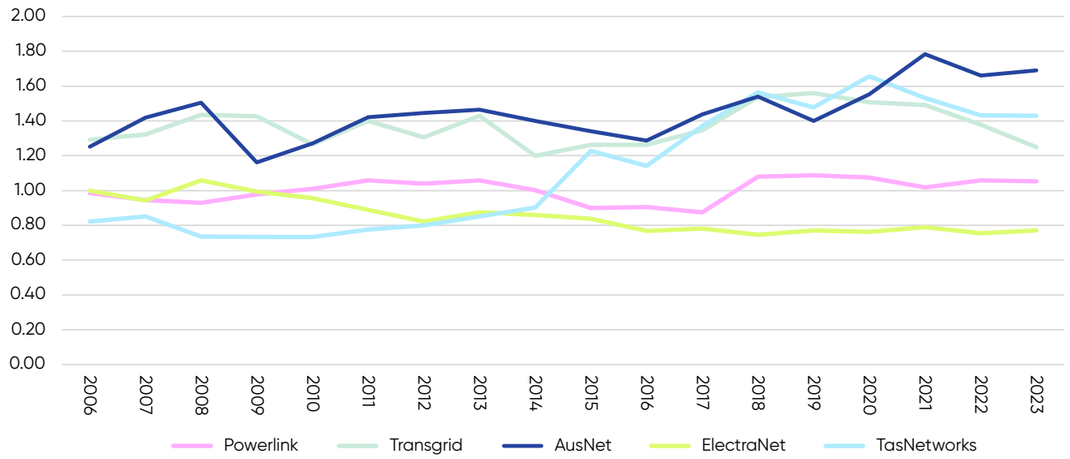
Source: AusNet

3.3 Network performance

Our transmission network has prudently managed costs and contributed to lower costs for customers.

AusNet has consistently achieved among the highest levels of operating expenditure efficiency across all TNSPs. This is evident in the AER's benchmarking of operating expenditure productivity, see Figure 3.

▼ Figure 3: Index of operating expenditure productivity across TNSPs. The higher the opex productivity number, the better the network's performance

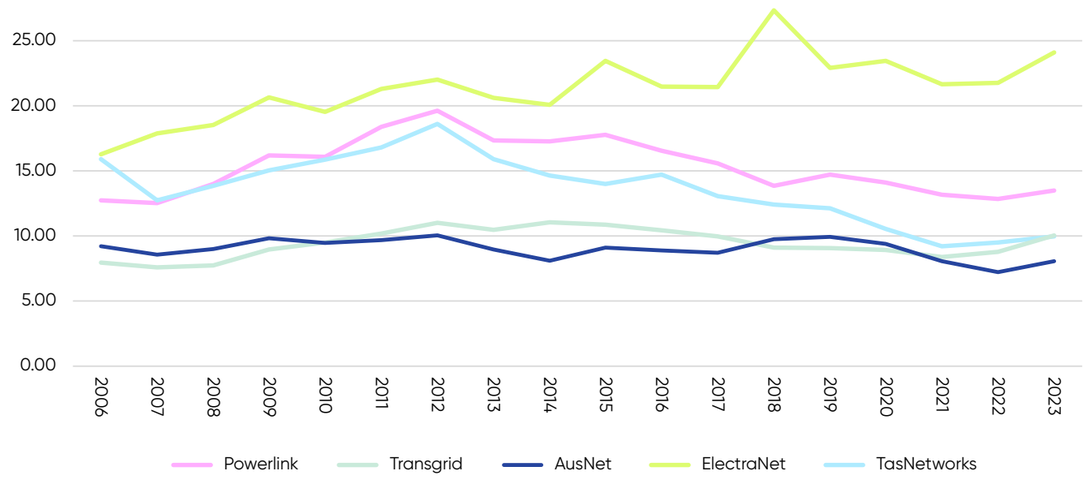


Note: Based on the AER's opex multilateral partial productivity index. This index measures the relationship between total output and one factor, namely operating expenditure. Our higher index reflects strong operating efficiency compared to our peers.

Source: AER, 2024 Annual Benchmarking Report - Electricity Transmission Network Service Providers, November 2024, accessed here.

Lower prices have been delivered through increasing efficiency and lowering costs to consumers, and the natural advantage we have in Victoria's relatively higher population density and largely centralised generation. By consistently improving our cost performance without compromising our network reliability, we have outperformed other Australian transmission companies, see Figure 4.

▼ Figure 4: $ per MWh of energy transported ($, real March 2027). The lower the value, the lower the cost per unit of energy transported (and the better the network's performance).



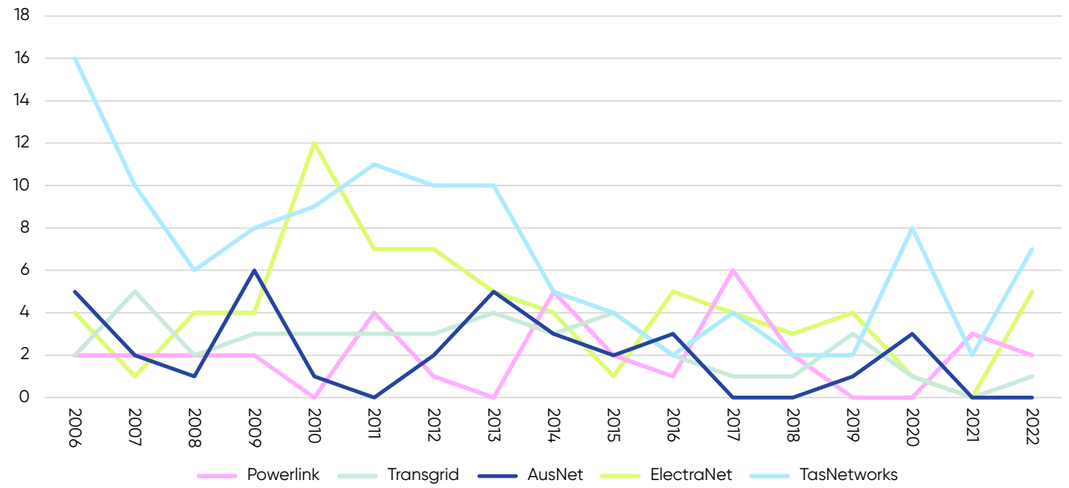
Source: AER, Electricity and gas networks performance report, September 2024, accessed here.

3.4 Network reliability

A reliable Victorian transmission network is critically important and we are committed to maintaining our strong historical performance. Loss of supply events, caused by unplanned outages, are rare and typically occur only a few times each year. Since 2017, with the exception of 2020, we have consistently met or exceeded the AER's targets for loss of supply events. Notably, in 2017, 2018, 2021 and 2022, we experienced no loss of supply events, demonstrating an exceptional level of performance for our customers. The reliability of the Victorian transmission network also compares favourably against other transmission networks.

While our reliability performance is strong compared to our peers, this is especially important given our position in the centre of the National Electricity Market, with critical connection points into Tasmania, South Australia and New South Wales. Degrading reliability of the Victorian network impacts the reliability and resilience of our neighbours' energy networks. Although there is no appetite for decreasing the reliability of the Victorian network, investing in higher standards of reliability (which would attract higher costs) is unlikely to be supported by our customers given current strong performance and an already significant investment proposal. Therefore, we have proposed a level of investment that keeps reliability the same as today.

▼ Figure 5: Reliability of NEM transmission networks, measured by the loss of supply events. The fewer the loss of supply events, the better the network's performance.



Note: A loss of supply event refers to an incident where electricity supply is interrupted to customers due to faults or issues within the transmission network.

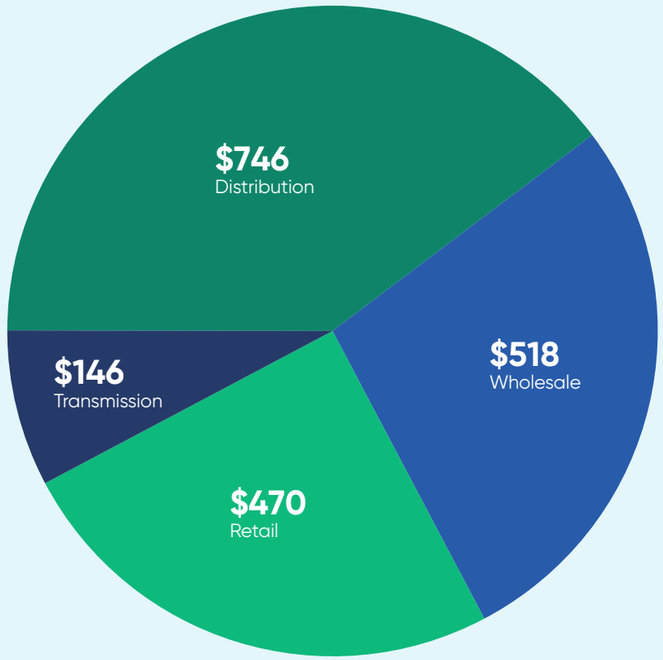
Source: AER, Electricity and gas networks performance report, September 2024, accessed here.

Setting the scene

4 Setting the scene

4.1 Striking the right balance between costs and service levels

How are transmission costs reflected on customers' electricity bills?



The breakdown of an average household's electricity bill. You can find more information on what our draft proposal means for different types of customers in Section 6.

▲ Figure 6: Bill breakdown for a household with gas, electricity and no solar or electric vehicle

We know that regardless of their individual financial circumstances, customers do not want to pay any more than is necessary for electricity services, but we believe we have struck the right balance of costs, service levels and management of risk in this proposal.

Our proposed investment plans represent a level of spending that is significantly higher than recent levels. There are several drivers impacting prices, discussed throughout this draft proposal. Despite these cost-saving measures, our draft proposal still represents a significant increase in expenditure. Figure 18 shows the various factors putting upwards and downwards pressure on transmission prices.

Taken together, it will mean significant increases in the transmission component of customers' electricity bills, noting we have not yet completed our deliverability assessments, which may result in reductions to the capex program.

A central driver of our proposed expenditure is the need to maintain system reliability – keeping the lights on for Victorian homes and businesses. Rising costs of labour, materials, and equipment have made it more expensive to deliver essential maintenance and replacement programs. This proposal reflects the increased cost of doing the same work, not a change in service ambition.

We know Victorians expect the following outcomes from their transmission network, which is what this draft proposal has been designed the deliver.

The trade-off between costs and levels of service is one of the most central themes of our draft proposal. We encourage you to keep this in mind as you read through it and prepare your feedback.

Safe
for the general public who live and work near it

Resilient
to disruptions from extreme weather and other events

Ready
to meet future challenges as they arise

Reliable
and available when they need it

Efficient
not costing any more than it needs to

Connecting
Enabling and supporting parties to connect to the transmission network

Landholders
Providing landholders with fit-for-purpose service to help minimise the impact of our transmission activities on them.

● Well-established need

● Becoming more important in the last 5 years

Source: AusNet

▲ Figure 7: Customers' and stakeholders' needs and expectations of their transmission network

4.2 Co-ordinating investments to support network growth

Victoria's energy transition needs significant investment in new transmission infrastructure

The current transmission network was built around large, centralised coal-fired power stations, mostly located in the Latrobe Valley. These coal-fired power stations will soon retire, and the generation being built to fill this gap in supply is much more dispersed. This generation needs to connect to the grid, so substantial investments in new transmission infrastructure have been proposed by Victoria's transmission planner, VicGrid, and the national transmission planner, AEMO.

Together, the investments in network growth combined with investments in the existing system deliver significant benefits to electricity users, including:

- the lowest possible future electricity prices, by enabling new generation to connect to the grid
- servicing the growing demand for electricity, from population growth and the "electrification of everything", including transport, hot water, heating and industrial loads
- maintaining future network reliability and improving its resilience to extreme events (such as storms, wide swings in demand or failure of large generation plants). Acting now reduces the risk of future failures, that would otherwise lead to outages and higher energy prices through curtailment or market interruption.
- decarbonisation of Victoria's electricity supply by enabling new, largely renewable, generators connect and allowing coal to exit.Transmission network upgrades also address emerging complexities in Victoria's grid, many resulting from the changing generation mix, including:
- growing maximum demand from electrification of heating and transport
- low minimum demands in the middle of the day as rooftop solar generation increases
- more reliance on inter-state connectors
- greater frequency of extreme weather events.

The Victorian Transmission Plan is a new way of planning renewable energy infrastructure

Following recent planning reforms, VicGrid – a Victorian government agency – has assumed the role of Victoria's dedicated transmission planner. VicGrid is responsible for producing the Victorian Transmission Plan (VTP) – a central document that outlines where and when energy infrastructure needs to be built to meet power needs, providing clear signals to communities and the energy industry.

VicGrid released its draft VTP in May 2025, which proposed significant upgrades and expansions to the existing transmission network over the next 15 years to deliver this complex transition while maintaining a reliable and secure system. A key feature of the draft VTP is seven new renewable energy zones spread across Victoria, in the Central Highlands, Central North, Gippsland, Northwest, Southwest, Grampians-Wimmera, and Wimmera Southern Mallee.

The draft VTP identifies seven programs and 19 projects to upgrade the transmission network to and through these areas, totalling approximately $4.3 billion in investment. The draft VTP has carefully considered existing transmission infrastructure and the potential to upgrade it, to minimise community disruption (of new transmission easements) while maximising utilisation of existing network infrastructure. The final VTP is due to be published around the same time as this draft proposal.

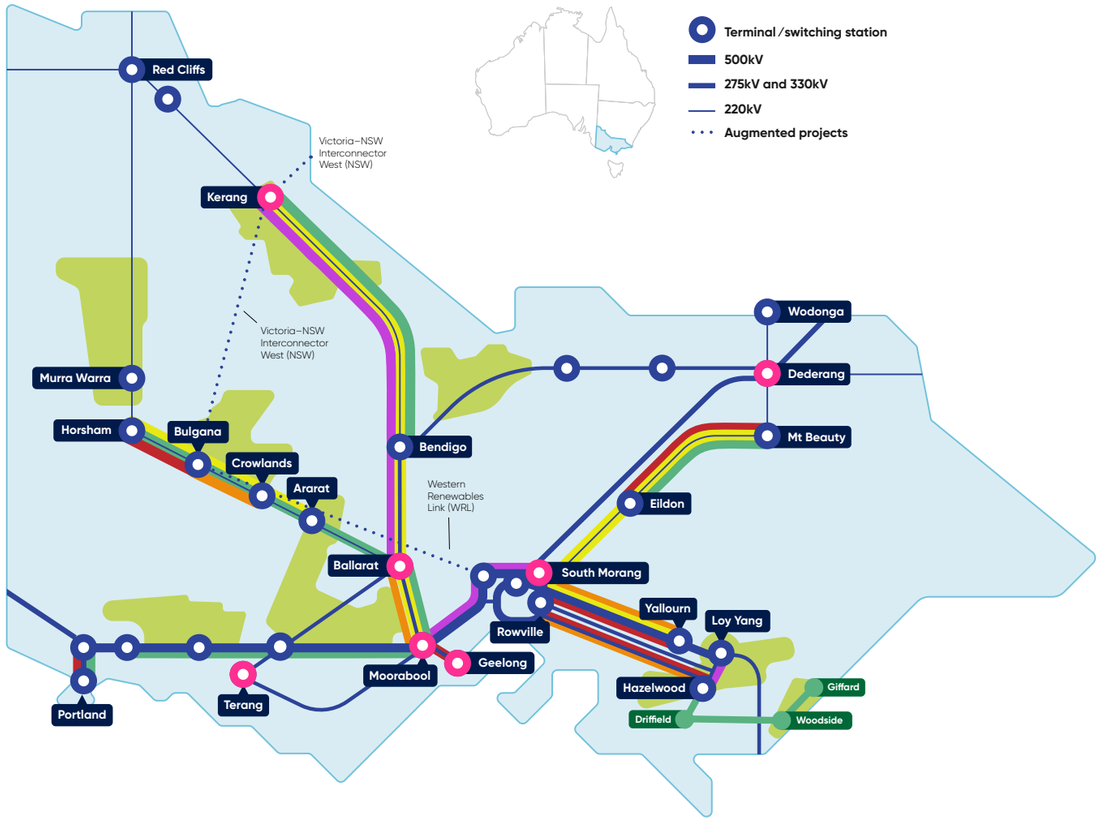
The Victorian Transmission Plan and other augmentations have been carefully considered in this draft proposal

While the focus of the Transmission Revenue Reset (TRR) process is on maintaining the existing transmission system, AusNet has carefully considered proposed network augmentation plans to avoid overlap and help keep costs down for customers. Maintaining the existing transmission network – the backbone of Victoria's electricity system – is essential to support any augmentation (build-out).

Importantly, the TRR projects AusNet is undertaking have been closely aligned with the draft VTP. Through joint planning with VicGrid, we have identified the most appropriate projects to meet network needs and resolved any overlaps between TRR and VTP initiatives. As a result, all double-ups of projects or expenditures, such as replacing assets earmarked for future upgrades, have been identified and reviewed, adjusted or removed.

Figure 8 below illustrates this coordinated approach, showing how the projects proposed in this draft proposal complement and align with the draft VTP initiatives across the Victorian network. This visual representation highlights the integrated nature of the planning and reinforces the importance of collaboration in delivering a cost-effective and resilient transmission system.

▼ Figure 8: Map of the Victorian transmission network, identifying TRR projects and Draft VTP projects



Draft VTP Projects

Draft VTP Renewable Energy Zones (REZs)

Major Station Projects (selected projects)

Sample of lows spans rectification:
- Ballarat to Bendigo (22 spans)
- Moorabool to Ballarat (11 spans)
- Eildon to Thomastown (12 spans)
- Mt Beauty to Eildon (3 spans)
- Yallourn to Rowville No. 6 and 8 (4 spans each)
- Bulgana to Horsham (1 span)
- Ararat to Crowlands (1 span)
- Kerang to Bendigo (2 spans)

Sample of lines for tower strengthening
- Sydenham to Moorabool No.1 and 2
- Loy Yang to Hazelwood No.1, 2, and 3
- South Morang to Sydneham No. 1 and 2
- Ballarat to Bendigo
- Bendigo to Kerang

Sample of ground wire replacements
- Bulgana to Crowlands (8 spans)
- Hazelwood Power Station to Rowville (54 spans)
- Yallourn to Rowville (252 spans)
- Ballarat to Moorabool (43 spans)

Sample of insulator replacements
- Hazelwood Power Station to Rowville (38 insulators)
- Yallourn to Rowville (5 insulators)
- Mt Beauty to Eildon (7 insulators)
- Bulgana to Horsham (1 insulator)
- Portlandd to Heywood (76 insulators)

Note: This map is AusNet's representation, to help visualise interactions of the projects in the Candidate Development Pathway with AusNet Programs (for selected lines that overlap with VTP), based on the Draft VTP. The final VTP is due to be published around the same time as this document.

In addition, AEMO performs the role of national energy system planner and is responsible for long-term planning and coordination with state planners (such as VicGrid), and inter-state connectors. AEMO's central long-term plan is called the Integrated System Plan (ISP). In addition to the VTP projects above, there are a number of large upgrades to Victoria's inter-state connections planned and underway including the Western Renewables Link and Victoria-NSW West Interconnector. These projects are reflected in the current ISP.

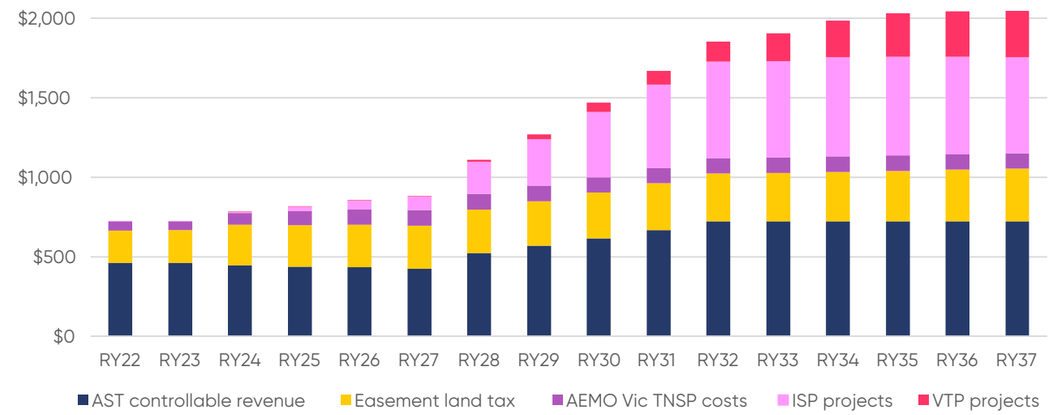
We expect an uplift in expenditure reflecting growth in customer driven works

We also expect significant growth in customer driven works to connect new generators, storage and load to the new network upgrades. Increases in connection volumes are already underway, with connections such as BESS and data centres being integrated into metropolitan areas.

Investments to support growth will also appear on customers' bills

AusNet acknowledges the investment proposed in the existing network is significant and will result in higher costs for Victorian electricity customers. Currently, the costs of maintaining the existing network (in AusNet's control) and the easement land tax charges make up the majority of the transmission component of customers' bills. However, as spending on new transmission infrastructure increases, AusNet's controllable revenue as a share of the transmission component of customers' bills will reduce from ~54% today to ~32% by 2032.

▼ Figure 9: Total Victorian transmission revenue ($, real March 2025)



Note: The above figures are indicative only and relies on publicly disclosed information about upcoming projects per documents including the Victorian Transmission Plan and latest AEMO Integrated System Plan. RY refers to Regulatory Information Notice year basis, commencing from April to March.

Sources: VicGrid, Draft Victorian Transmission Plan, June 2025, accessed here; AEMO, Draft 2025 Electricity Network Options Report, May 2025, accessed here; AusNet.

We want your feedback

- **Do you think we've properly reflected the impacts of others' augmentation plans in our plans to maintain the existing system?** Are there any potential overlaps you think we have missed?

4.3 Keeping the existing transmission network safe and reliable

Critical parts of the existing network are due for replacement to maintain safety and reliability

Our capital expenditure program is designed to keep the existing transmission network – the backbone of Victoria's electricity system – safe and reliable. Victoria's existing network is at an age where crucial assets need replacing if safety and reliability are to be maintained.

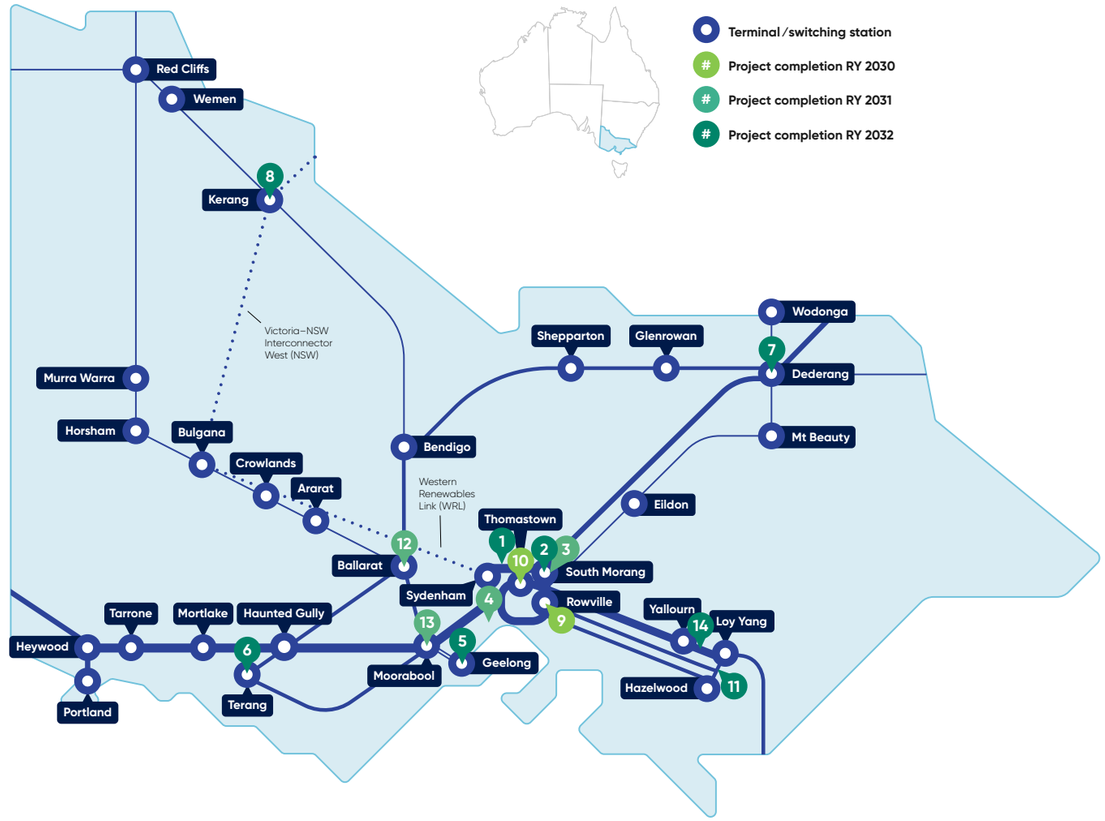
More than half of our proposed expenditure is directed at rebuilding major terminal stations. These critical nodes in the transmission network perform essential functions like voltage transformation, switching and grid control.

We are planning to invest in key regional locations, and stations around the Melbourne CBD

We have 14 major station projects forecast to be undertaken in the upcoming 2027 to 2032 period, including our largest most critical and complex stations, which represent a significant short-term peak in our investment needs (see Figure 10). Details of this program are set out in Section 7.2 of this draft proposal.

Investment to maintain safety and reliability of the existing network is needed, regardless of upgrades to meet the pace and scale of electrification or renewable energy uptake. These assets form the core infrastructure that supports all electricity flows to Victorian homes and businesses.

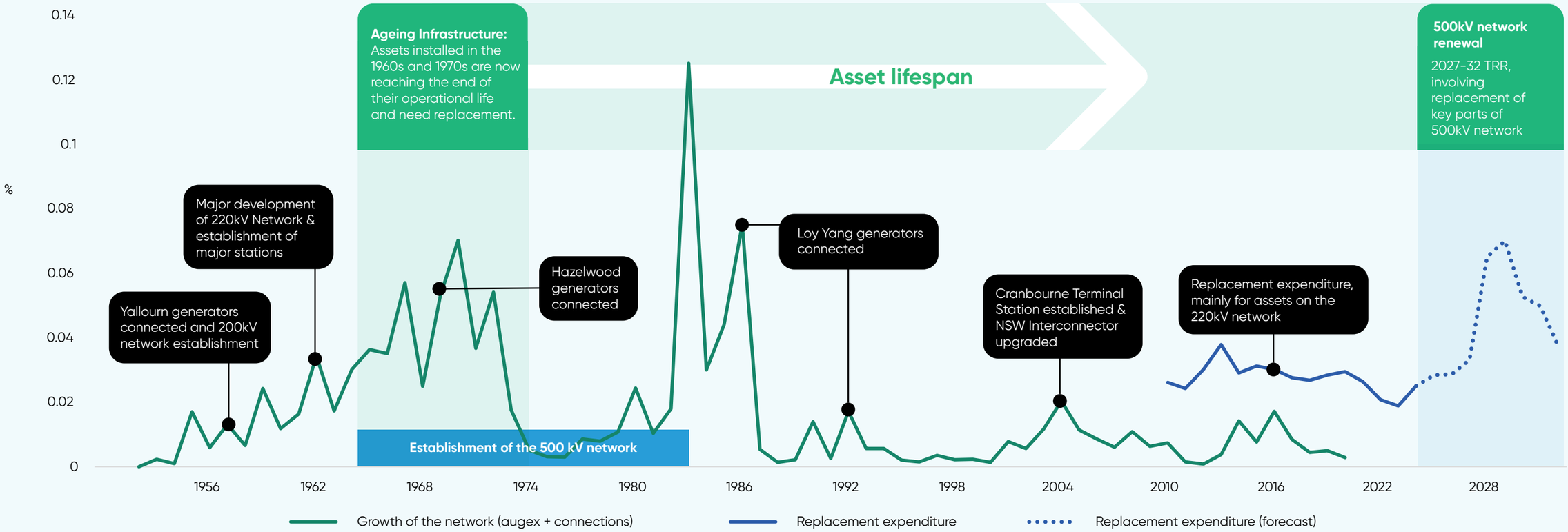
▼ Figure 10: Location of major station projects



Reference	Project	Location
1	KTS 500/220kV Transformer Replacement	Keilor
2	SMTS 500kV GIS and F2 Transformer Replacement	South Morang
3	SMTS 330/220kV Transformer Replacement	South Morang
4	NPSD 220kV GIS	Newport
5	GTS B4 Transformer and Switchgear Replacement	Geelong
6	TGTS B2 Transformer Replacement	Terang
7	DDTS H3 330/220kV Transformer and Circuit Breaker Replacement	Dederang
8	KGTS transformer and Switchgear Replacement	Kerang
9	ROTS 500 kV GIL Replacement	Rowville
10	TTS Circuit Breaker Replacement	Thomastown
11	LYPS and HWTS 500kV Circuit Breaker Replacement Stage 2	Loy Yang/Hazelwood
12	BATS B2 Transformer Replacement	Ballarat
13	MLTS Reactor Replacement	Moorabool
14	MWTS 66kV Circuit Breaker Replacement	Morwell

Source: AusNet

▼ Figure 11: Historical development and replacement expenditure for the transmission network



Historically, investment in our network has been lower than our peers, meaning our network is older than average

Significant parts of our network, including transformers, switchgear and transmission lines (towers, conductors and insulators) were built in the 1960s and early 1970s and are displaying signs of deterioration as they approach the end of their operational life (see Figure 11). This reflects the historical development of the transmission system in Victoria, centred on supplying coal-fired generation from the Latrobe Valley to the major demand centres – Melbourne and Geelong. Importantly, a significant part of this expenditure relates to the establishment of the 500kV network in Victoria.

The replacement of key assets on the 500kV network is a key driver of the capital expenditure forecast for 2027-32.

We have not had significant investment in our transmission network since the early 1990s. This has allowed us to give Victorians the lowest cost transmission network in Australia and prices have remained low and flat in real terms since then. But it also means the network is ageing and significant investment to replace deteriorating network assets is needed.

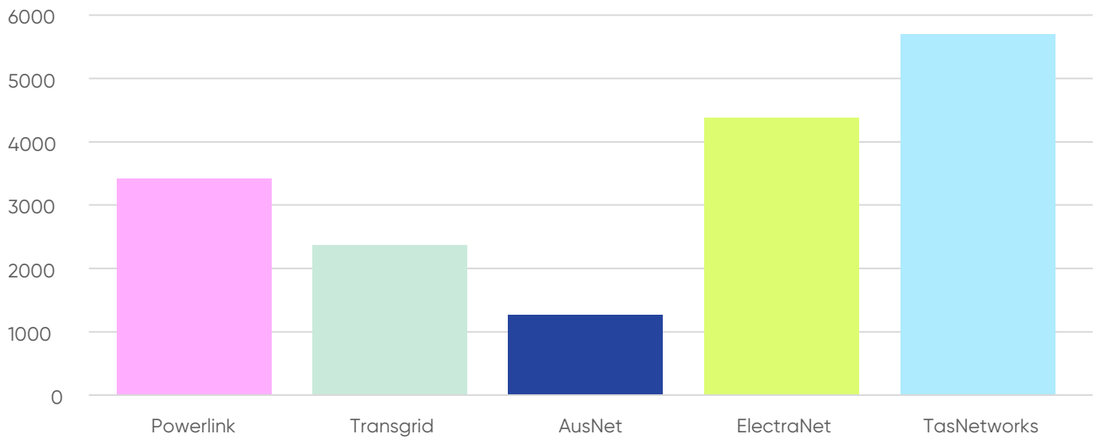
Note: Development (augmentations) and replacement expenditure is depicted in the chart above as a share of the replacement cost of the transmission network. From 2026 onwards, replacement costs have been adjusted downward to reflect unit rate escalations (assumed approximately a 59% escalation compared to previous periods, in line national benchmarks of real cost escalation produced by AEMO, see page 5).

Source: AusNet

Our prudent levels of capital expenditure on the Victorian network are apparent when benchmarked against other Transmission Network Service Providers (TNSPs) across the National Electricity Market (NEM).

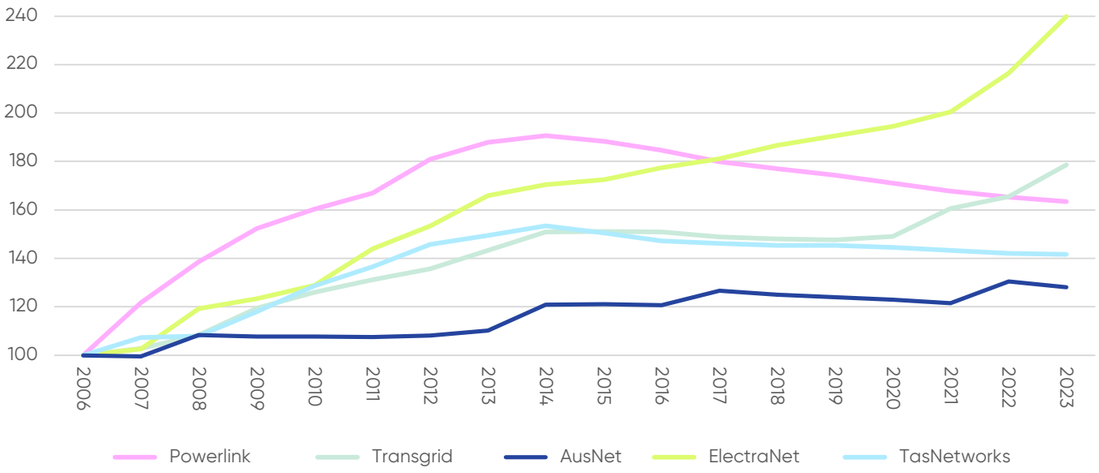
Figure 12 shows that the value of our Regulated Asset Base (RAB) is the lowest across the NEM (on a per customer basis) and has maintained a flat trajectory. We have achieved this while maintaining reliability performance on par with or better than our peers.

▼ Figure 12: RAB per customer (2023) ($,real March 2027). A lower RAB per customer indicates lower transmission costs on a per-customer basis.



Furthermore, Victoria is distinct from the other transmission networks in Australia, who have all seen significant waves of expenditure in the past. This is apparent comparing the growth of our RAB to other networks, which have been investing at a far greater rate than Victoria has. This in part reflects that other networks have already undertaken much of the investment that Victoria now faces, alongside other factors such as demand growth.

▼ Figure 13: Growth index of the RAB. The changing value of the RAB over time indicates the scale of investment in network infrastructure.

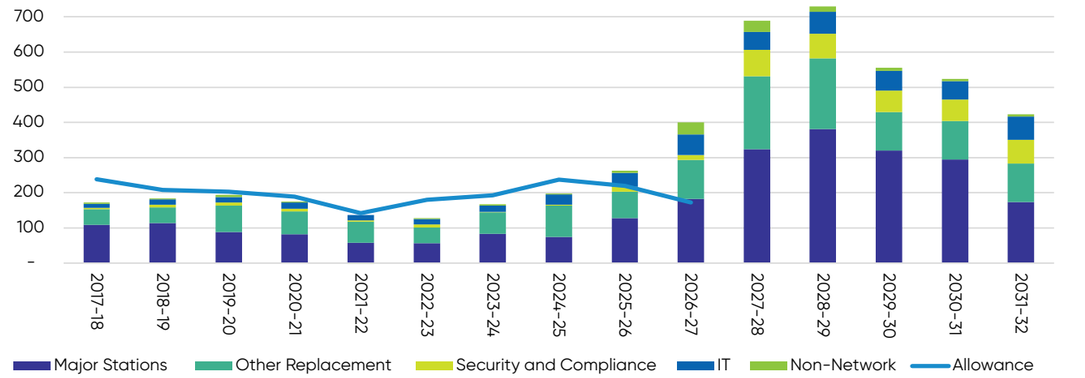


An uplift in our capital expenditure program is necessary to maintain the existing network and address complex challenges

This proposal outlines a $2.9 billion capital expenditure program required to maintain critical Victorian transmission assets and provide a safe and reliable network. We recognise this program represents a material uplift from the previous regulatory period but is needed to address the challenges of an ageing network and a more complex operating environment that threatens network resilience and industry-wide unit cost escalations. See Section 7 for details on this program.

▼ Figure 14: Actual, forecast and proposed capital expenditure, 2018-2032 ($m, real March 2027)

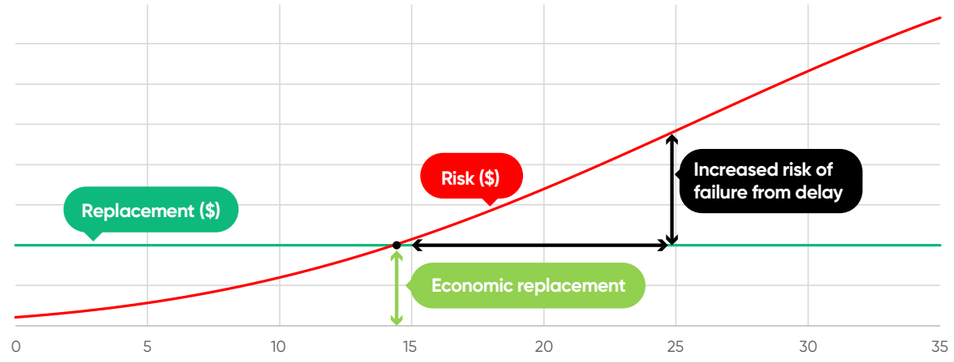
Source: AusNet



The replacement expenditure proposed keeps network reliability at levels similar to today and maximises the net benefits to consumers. As our network ages, it slowly deteriorates in condition, and the risk of failure increases. For many years, the risk of failure of a new asset is low. However, once the condition of an asset starts deteriorating, the risk of failure increases steadily, posing a greater risk of asset failure to the network. This can result in curtailed generation, increases in the wholesale costs for customers and in the most serious cases, widespread and/or prolonged power outages (see Figure 15). These risks are largely borne by network users.

Furthermore, the need to undertake large replacement programs will be an ongoing requirement for coming decades. Delaying expenditure now poses the risk of deferring work into a period where high levels of investment may be needed, making delivery more challenging.

▼ Figure 15: Example of risks of failure as the condition of assets deteriorate



We want your feedback

- **Do you think we've taken the right approach in maintaining reliability at a level similar-to-today (i.e. that heightened risk of transmission system failure for near-term cost savings would not be in most Victorians' interests)?**

4.4 Running a complex network

Our network is becoming increasingly complex to run and is operating close to its limits. The way the network is used is dramatically shifting, with the widespread penetration of rooftop solar photovoltaic (PV), closure of large baseload generators (e.g. coal-fired power stations) and repurposing parts of the network that were originally designed to serve small regional loads into pathways for new large scale renewable generation.

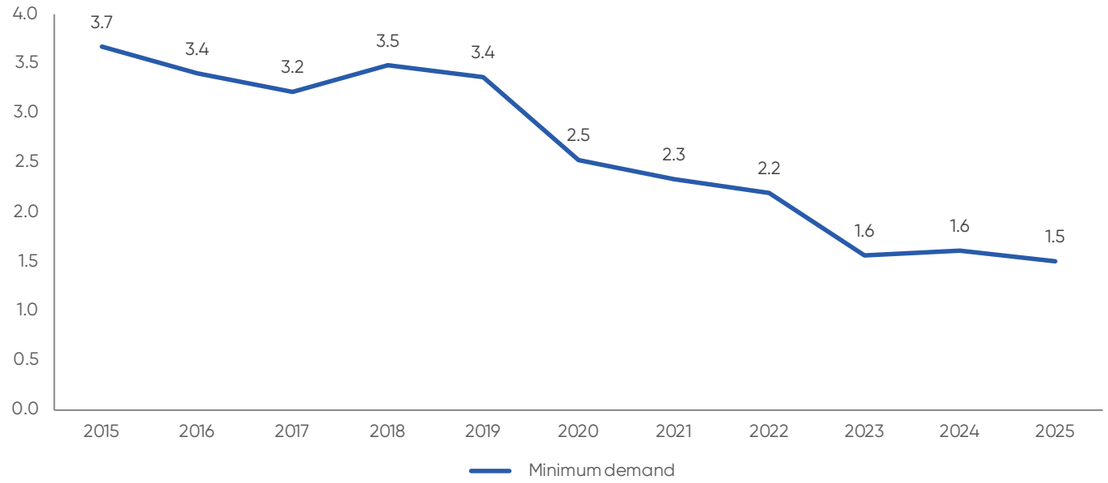
The network must now deal with the emerging challenges of lower minimum demands and falling system strength, which leave the system vulnerable to destabilisation and an increasingly complex number of new connections and large shared network upgrades. AEMO is regularly sending us Minimum System Load notices (27 times during the 2024-24 summer period) requiring us to prepare to meet the challenge of a critical low in system demand. In the past 12 months, we have switched or reconfigured parts of the network to deal with these operational challenges approximately 40,000 times – double 2012 levels. Each of these circuit breaker operations represents a higher load being place on our assets.

Although power systems worldwide are planned to be resilient to a range of contingency events, these emerging challenges mean there is increasingly a need to plan for high impact but low probability events. In extreme cases, such as where cascading tripping of protection systems occurs, sections of the network or the entire network loses power. This is called a black system event. Although Australia has not experienced a state-wide black system event since South Australia in 2016, these events do occur around the world as seen in recent occurrences in Spain and Portugal in April 2025.

Our digital operating systems play an important role in managing this complexity safely, efficiently and in real time. Proposed investments in digital systems are a key part of our strategy to respond to these challenges. These proposed investments include:

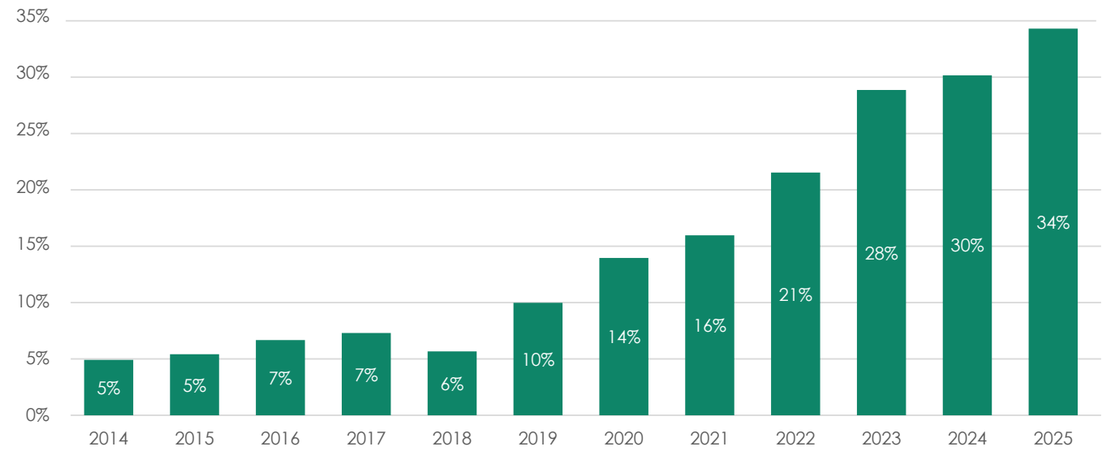
- **Advanced Energy Management System (AEMS):** AEMS provides tools to remotely monitor and control the network, manage system outages, improve planned and emergency event management, optimise power-flow management, fault location analysis, and fault isolation and restoration capabilities. These tools are crucial for us to mitigate the risk of high impact but low probability events, including black system events.
- **Cybersecurity:** Our cybersecurity strategy will shift from a compliance and technology-driven focus to a comprehensive, risk-based approach. This evolution will align cybersecurity with broader enterprise goals and industry direction, so security measures effectively support our transformation into the energy network of the future.

▼ Figure 16: Minimum daily demand, by year (GW, operational demand)



Source: AEMO; NEM data dashboard, June 2025, accessed here.

▼ Figure 17: Solar and wind as a % of total energy supply (%)



Source: AEMO, NEM data dashboard, June 2025, accessed here.

4.5 Navigating deliverability changes

We are carefully considering AusNet's readiness to deliver the capex program as proposed in this draft. We have been engaging on deliverability challenges through the process, and a detailed assessment of AusNet's ability to deliver the proposed work is underway. The capex program in this draft proposal has not been adjusted for deliverability, but we anticipate making some adjustments before finalising and submitting our proposal to the AER.

We are facing a material increase in capex delivery

A significant portion of our increased capex is driven by price escalations that have increased costs of labour and materials. Since 2021, price escalations above inflation for the transmission sector has been unprecedented and widely reported. AEMO's Transmission Cost Database (TCD) is a national benchmark for cost reporting in the sector and reports approximately 60-80% real cost escalation between the 2021 TCD and the 2025 TCD.[1] While this increases costs of these programs, these price increases do not directly result in deliverability issues.

Our ability to deliver the proposed TRR capex program must be assessed alongside other capital drivers, including customer-initiated work, such as BESS or data centre connections, and network augmentation works under VicGrid's inaugural VTP. The table below outlines all three categories of capital expenditure. Together, they represent a significant uplift in delivery. A comprehensive assessment has been completed to evaluate deliverability challenges, internal and external capabilities and actions to address the challenges so we can successfully deliver all capital expenditure programs.

▼ Table 1: Our three drivers of regulated transmission capital expenditure

Source	Description	Growth drivers	2027-32 Value
Transmission Revenue Reset	Work to repair or replace the network, as outlined in this proposal.	Ageing asset base that needs replacing and rising unit rates. Section 7.2 explores these drivers further.	**$2.4 billion proposed**[1]
Customer-initiated projects	Transmission network augmentations requested by AEMO, Distribution Network Service Provider (DNSP) or non-regulated businesses, that we must deliver.	Step change in energy transition and emerging market needs (e.g. BESS and data centres).	**To be confirmed** In Calendar Year 2025 (CY25), we expect to deliver ~$120 million of customer-initiated work
Victorian Transmission Plan (VTP)	VicGrid-initiated non-contestable projects to augment the network. A portion of this work will be delivered by our regulated transmission business.	In 2025, AEMO will transfer the transmission network planner role to VicGrid. VicGrid's draft VTP, released in June 2025, outlines an ambitious 15-year plan to augment the network to achieve net zero targets. This plan will be finalised later in 2025.	**To be confirmed** The draft VTP indicates $4.3 billion capex across 15 years.[2] A proportion of this will be delivered by our regulated transmission business

1 Based on cumulative result of AEMO's 2023 TCD reporting ~30% real escalation between 2021 and 2023 TCD, and a further 22.5% and 40% real escalation for substation and overline line projects respectively between the 2023 TCD and 2025 TCD.

1 This $2.6bn figure excludes digital, non-network capital expenditure, and particular categories of replacement expenditure (e.g. physical security, premises, environmental) which faces different deliverability considerations to projects or programs.
2 $4.3B in real 2023 economic terms, as per draft VTP

We need to navigate four challenges to deliver this uplift

We have identified four challenges that will be critical in delivering this level of uplift in capital expenditure over the next period. The content below explains each of these challenges and how we are planning to navigate them.

Challenge 1: Labour availability

The availability of workers, particularly in specialised roles, is essential to transmission infrastructure delivery. Workers in skilled electrical roles, such as lineworkers, fitters and testers, are among the most difficult to fill due to lengthy training periods and competition from interstate and international sectors. We expect a material uplift in the number of skilled workers that are required to deliver the capital projects within this proposal.

Levers we are looking at to address labour availability include:

- creating certainty to incentivise our construction delivery partners to increase their pool of committed resources
- providing training for key roles directly and/or with a Registered Training Operation (RTO) partner – for example, re-establishing the training school facility at our South Morang terminal station
- building internal capability through recruiting experienced hires, upskilling internally and/or hiring internationally
- using innovative work methods to improve labour productivity – for example, using monopiles instead of towers, which are less labour intensive to install
- using supporting roles to improve overall productivity – for example, exploring the potential use of riggers for simpler lineworker activities, so highly skilled lineworkers can focus on the large volume of high-value activities
- buying a company with access to a committed workforce of specialised roles.

Challenge 2: Procurement of long-lead time materials

Delivery of transmission infrastructure requires a range of materials, typically sourced internationally, and many of which are subject to global supply chain constraints. Global manufacturing capacity has not kept pace with demand, and AusNet faces strong competition from other customers when looking to purchase these materials, which is driving up prices.

Levers we are looking at to address procurement challenges include:

- pre-ordering long-team time materials sooner
- standardising material design where possible, so we can order before detailed specification design has been completed
- strengthening supplier relationships, including information sharing, bulk ordering and/or securing manufacturing slots in advance.

Challenge 3: Outage availability

Outage availability is largely outside of our control. To safely deliver many of the projects outlined in this proposal, we need to take transmission elements out of service. These events are called “planned outages”. Planned outages require coordination across the network via AEMO decision making processes, so customers do not lose electricity supply while the transmission element is offline.

However, these planned outages are becoming increasingly difficult to schedule due to the Victorian transmission network’s geographic, structural and operational characteristics. This limits the availability of alternative pathways for power to flow. Victoria also has a requirement to support network security in South Australia, Tasmania and New South Wales, which contributes to us experiencing the highest number of high impact outages compared to all other Transmission Network Service Providers (TNSPs) since 2021/22[1]. High impact outages are those resulting in a higher-than-normal impact on the power system or the electricity market.

Levers we are looking at to address outage availability include:

- sequencing construction activities for projects to optimise the demand for outages
- increasing live line work, to reduce the need for outages for assets with very low supply redundancy
- advocating to increase outage availability through changes to the National Electricity Rules (NER), AEMO’s model and/or to designate us as the single operator
- advocating to change NER disconnection rules, to reduce risk of outage cancellation.

Challenge 4: Planning approvals

Construction activities for transmission assets typically require planning approvals, including for cultural heritage, environmental and biodiversity reasons. We must secure these approvals before any construction work can start. We must also navigate these approvals so the projects outlined in this proposal can be delivered on time, noting that each project will need to be assessed on case-by-case basis by the Victorian Minister for Planning via the Department of Transport and Planning (DTP).

Levers we are looking at to address planning approvals include:

- advocating for planning reform change to avoid the need for planning permits for certain projects
- taking a more sophisticated approach to landholder and stakeholder engagement, such as beginning consultation earlier to understand and navigate concerns that may impact timely project completion.

1 AEMO 2024, Statistics of Network Outage Submission and Desired Performance

We are already working to navigate these challenges

We are taking the challenges posed by deliverability seriously and have already started addressing them by:

- hiring for roles needed to deliver an uplift in capital expenditure in the remainder of the current regulatory period
- uplifting employee attraction and retention programs
- creating a delivery partner and procurement strategy for labour, materials and equipment
- investigating innovative work methods that can improve productivity of capital delivery
- expanding live line work to reduce the need for outages
- improving digital tools that enable network access and management.

We are actively engaged in gaining a deeper understanding of deliverability challenges, including working to confirm understanding of the VTP and customer-initiated projects across the 2027-32 period.

We are also working with experts across our business, our delivery partners, our TSAP and the broader industry to better understand:

- each of the four challenges
- the potential impact on this proposal
- the levers that can enable us to navigate these challenges and so we can successfully deliver all capital expenditure within allowances.

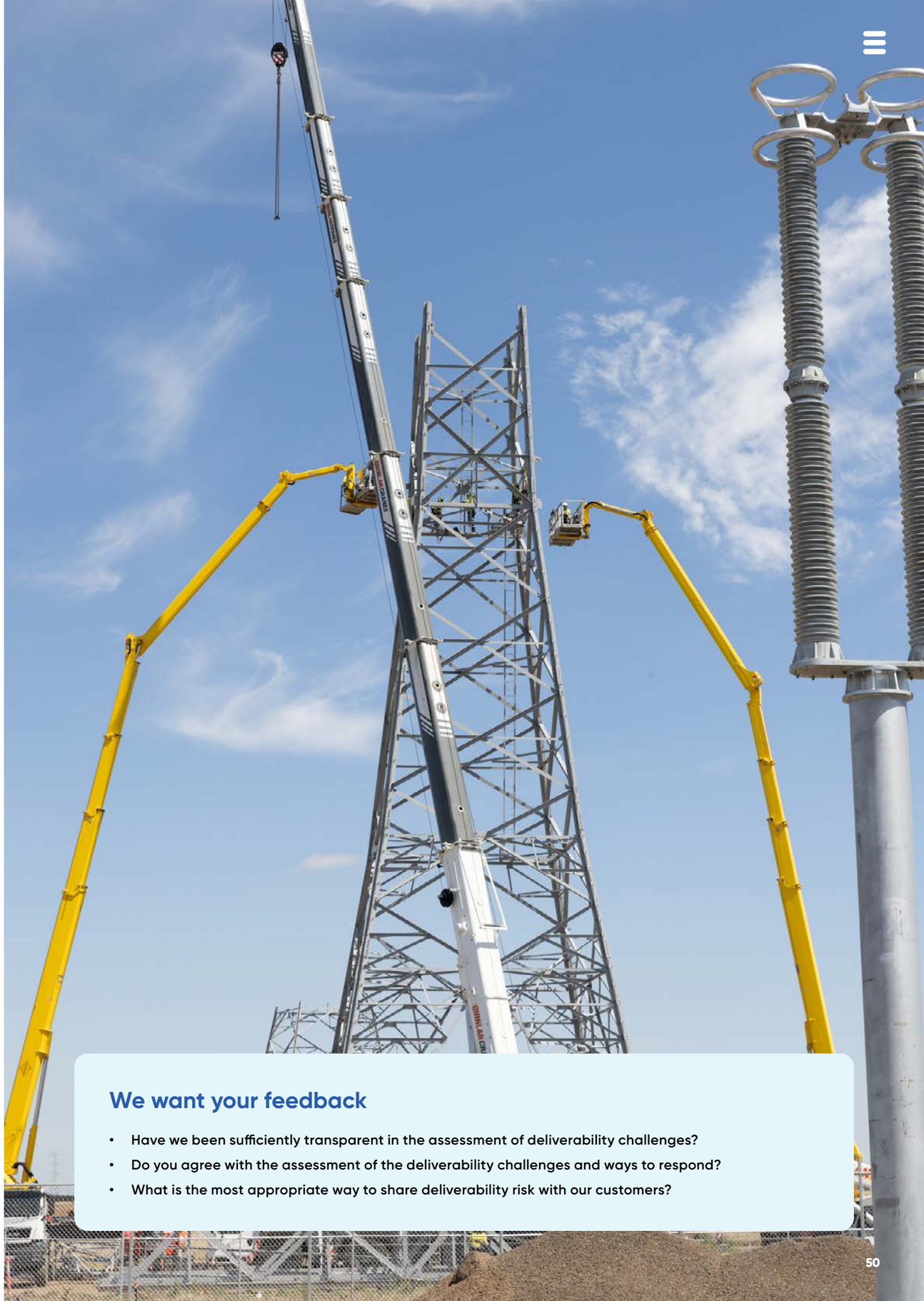
Regulatory responses to the deliverability challenge

The AER's role is to assess the prudency and efficiency of the proposed capital program. This includes evaluating the need for each investment, the alternatives considered and the inputs and assumptions underpinning the economic assessments for each project. As part of this assessment, the AER will also consider whether deliverability constraints warrant further adjustments to our proposal.

We are currently undertaking a detailed deliverability review and will only propose a program of works that we are confident can be delivered within the regulatory period. However, we recognise that the AER will need to form its own independent view and we understand that this view may reasonably differ from our own.

If the AER has concerns about deliverability, we would welcome the opportunity to explore the use of contingent projects as a potential pathway. Under this approach, projects facing material deliverability risks would be approved only after we demonstrate our capacity to deliver within the regulatory period.

We consider that this approach would provide a balanced mechanism for managing risk and cost. It safeguards customers from paying upfront for projects that may not proceed, while still enabling us to undertake them if delivery becomes feasible. As noted above, we consider delivering on our proposed capital expenditure program as soon as practical to be critical to maintaining the safety and reliability of the Victorian transmission network.



We want your feedback

- **Have we been sufficiently transparent in the assessment of deliverability challenges?**
- **Do you agree with the assessment of the deliverability challenges and ways to respond?**
- **What is the most appropriate way to share deliverability risk with our customers?**

4.6 Bill impact for customers

We have incorporated many decisions and actions into our proposal to reduce costs to customers as much as reasonably possible, including:

- Maintaining high asset utilisation and consistently increasing capital productivity. The AER's benchmarking reports rank AusNet consistently high in these areas. This means we have demonstrated our ability and commitment to extract more value for customers from the existing network over many years.
- Using economic timing assessments to determine the optimal investment window for major projects (e.g. transformer replacements) while balancing cost and benefit. We have engaged on this methodology and shared these assessments with stakeholders throughout our engagement process.
- Integrating our program with VicGrid and AEMO's augmentation plans to remove duplication and increase capacity for reduced or no extra cost.
- Maintaining an ambitious 0.3% p.a. productivity target for operating expenditure reductions, in line with industry benchmarks.
- Presenting credible costed options for stakeholders to consider and engage on throughout the process. There are a number of cases in this draft proposal where a lower-cost option was selected to manage the cost impacts to customers, including expenditure for tower resilience strengthening and improving landholder experience.
- Developing a deliverability strategy to manage labour, materials, outages and planning approvals. This is so projects are executed efficiently and avoids delays that could inflate costs. This strategy is not yet fully incorporated in this draft proposal but will be by the final proposal submission (October 2025), following engagement with our Transmission Stakeholder Advisory Panel (TSAP).
- Deferring a number of digital investments to future TRR cycles. The investments deferred are in areas where the market is less mature and where we're waiting for more evidence that the solutions currently available will achieve the desired results.
- Incorporating customer preferences expressed in the AER's updated Value of Customer Reliability (VCR) to shape expenditure plans, so investments reflect what customers value most and avoid unnecessary spending on areas that do not meaningfully impact customer experience.
- Bundling and prioritising security-related investments (e.g. CCTV, fencing, access control) based on risk and compliance needs.

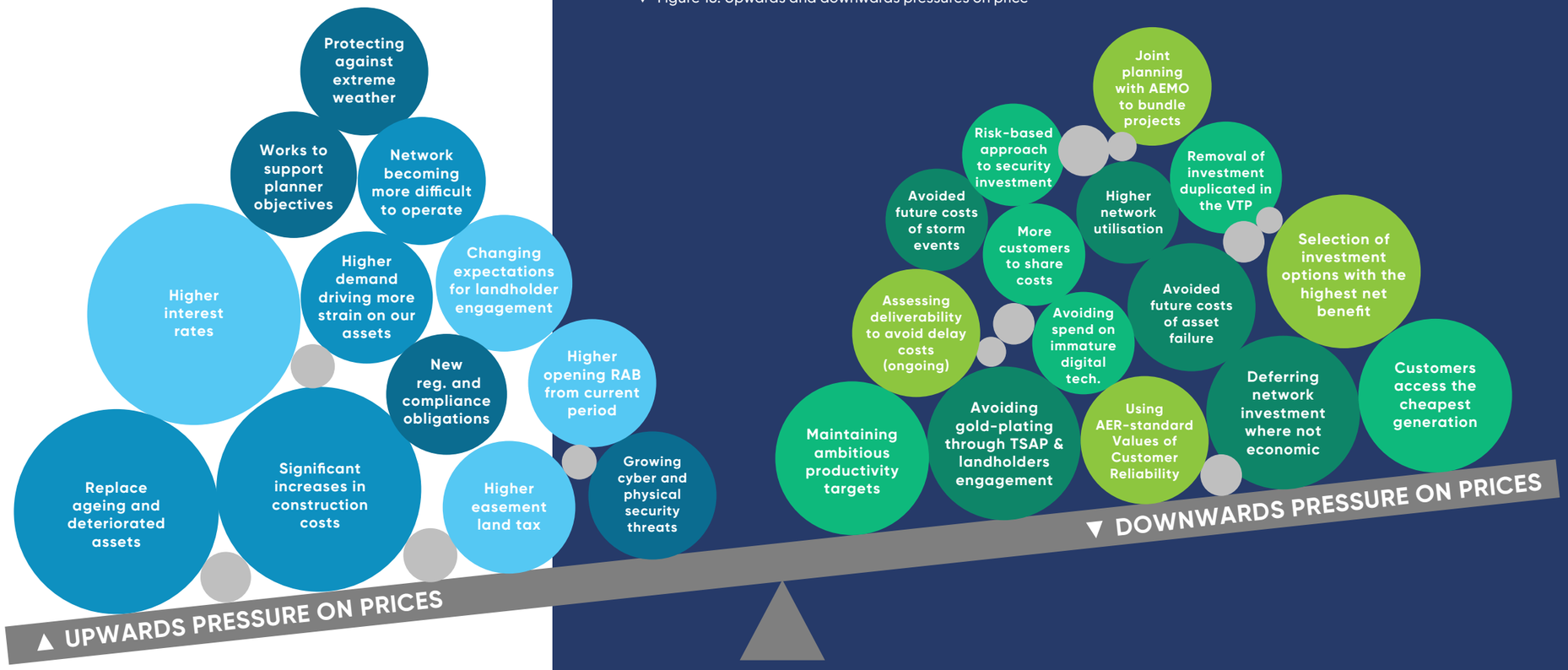
For this TRR, upwards pressures outweigh downwards pressures, resulting in higher prices for customers compared to the current period – but we see this as the best cost/service-level outcome for customers.

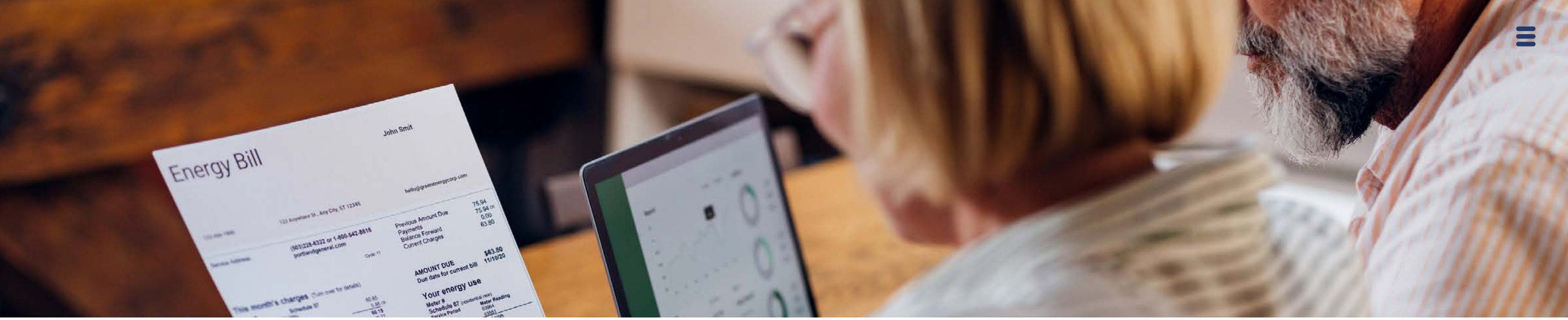
Despite these cost-saving measures, our draft proposal still represents a significant increase in expenditure. Figure 18 below shows the various factors putting upwards and downwards pressure on transmission prices.

We believe we have struck the right balance between the needs and expectations of our customers – to maintain a safe, reliable and resilient network – and overall costs to customers. We do not believe there is appetite to increase service levels beyond what we have proposed (which would increase costs to customers) or to decrease service levels (for cost savings), but this tension is central to our planning process and something we want to hear your feedback on.

Looking for opportunities to save does not stop when our price review process is finalised. As we move into the detailed design and delivery of our 2027-32 plans, we will continue to look for opportunities to reduce the cost of our operations and projects and share any cost-savings with customers.

▼ Figure 18: Upwards and downwards pressures on price





Residential customers

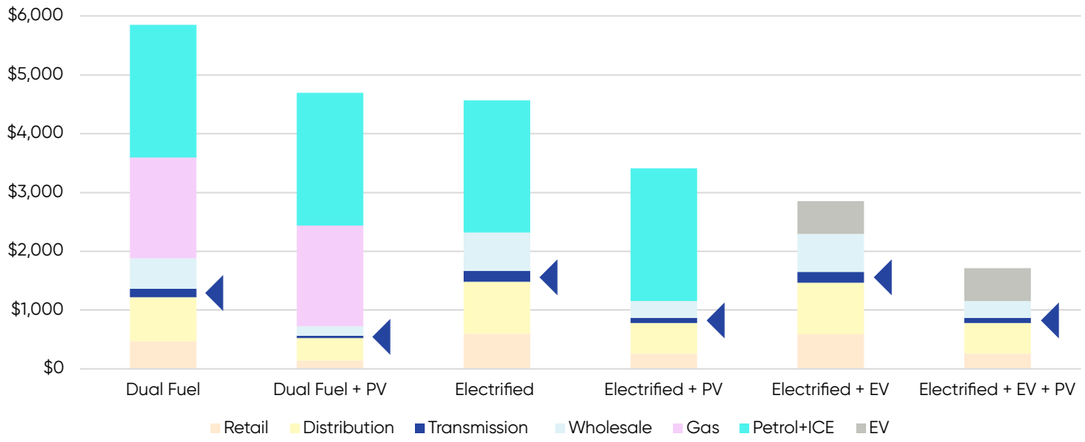
Victorian energy consumers will see a notable rise in transmission charges over the next decade. Part of this increase comes from our regulated business, as outlined in this draft proposal. However, a large portion is due to network upgrades required for the energy transition, set out in VicGrid's VTP and AEMO's ISP. Investing in energy transmission also displaces some investment in other areas (e.g. gas networks) and allows access to lower cost generation, reducing price pressure in other areas of the energy supply chain.

The AusNet transmission charge typically accounts for 5% to 6% of residential and business electricity bills, and 2% to 7% of the total energy bill, depending on the energy mix. Indicative bill stacks for different residential customers are show in Figure 19 below. This represents the current breakdown and does not include future transmission charge hikes including those from the ISP and VTP.

Our transmission component in electricity bills will increase by ~60% by the end of the regulatory period. This is a significant increase in the transmission component, and other elements of electricity bills are likely to increase at the same time. However, for many customers, our transmission component will only increase their current total energy bill by ~3% over the next regulatory period. As above, this increase does not include transmission charge hikes outside the TRR.

In addition to standard residential and small business customers, we assessed bill impacts for solar-equipped households and large industrial users. These groups experience different cost pressures due to their consumption profiles and connection arrangements. For example, solar households may see lower absolute increases due to reduced net consumption, while transmission-connected customers face more direct exposure to network charges.

▼ Figure 19: Indicative bill stacks ($, real March 2026)



Note: The indicative total energy bills set out in this figure are only inclusive of AusNet's Transmission Revenue Reset revenue (e.g. AusNet controllable revenue + non-controllable sources such as easement land tax). It is not inclusive of other changes to transmission charges (e.g. due to new transmission infrastructure - set out by VicGrid through the Victorian Transmission Plan and AEMO through the Integrated System Plan).

▼ Table 2: Indicative residential and small commercial customer bill impacts

Customer type	Assumed consumption (kWh)	Total retail bill ($, real 2026-27)	Transmission % of bill (%)	2026-27 transmission component ($ p.a. nominal)	2031-31 transmission component ($ p.a. nominal)	Increase ($ p.a. nominal)
Residential 'average' customer	4,000	1,908	5%	99	164	**65**
Residential customer - dual fuel	5,200	2,480	5%	129	213	**85**
Residential customer electrified house - no PV	6,500	3,101	5%	161	267	**106**
Residential customer electrified house - with PV	3,000	1,431	5%	74	123	**49**
Small business customer (low usage)	10,000	4,398	6%	249	411	**162**
Small business customer (high usage)	20,000	8,279	6%	497	822	**325**

Note: The change in bill impacts set out in this table are only inclusive of AusNet's Transmission Revenue Reset revenue (e.g. AusNet controllable revenue + non-controllable sources such as easement land tax). It is not inclusive of other changes to transmission charges (e.g. due to new transmission infrastructure - set out by VicGrid through the Victorian Transmission Plan and AEMO through the Integrated System Plan).

Larger industrial and transmission connected customers

For our larger industrial customers, particularly those directly-connected to the transmission network, the transmission component of the bill is much higher (up to tens of millions of dollars per year) so increases to bills more substantial. The AusNet transmission portion of their bills will rise by 65% (nominal) by the end of the regulatory period, before non-Transmission Revenue Reset charges (including the cost of ISP and VTP projects) are factored in.

We have been engaging several large customers and their advocates constructively through the TRR process, and will continue to do so as we finalise our proposal. We know our large customers vary greatly, and encourage any large customers who haven't already done so to engage with this draft proposal, and share their feedback on it via a meeting with AusNet, their advocates (e.g. Energy Users Association of Australia or Ai Group), or a formal submission.

▼ Table 3: Indicative bill impacts on larger industrial customers

Tariff class	Average annual consumption (MWh pa)	Distribution charges	Transmission charges	Transmission %	Indicative transmission bill increase $
Medium industrial & commercial - small	160,438	17,960	1,818	9.13%	**1,182**
Medium industrial & commercial - mid	240,903	29,673	3,330	10.05%	**2,164**
Medium industrial & commercial - large	399,553	117,386	7,314	5.86%	**4,754**
Large industrial & commercial - small	400,416	28,180	3,517	11.05%	**2,286**
Large industrial & commercial - mid	819,903	77,090	14,160	15.49%	**9,204**
Large industrial & commercial - large	11,597,214	713,026	177,436	19.92%	**115,333**
High voltage - small	40,969	12,037	622	4.86%	**405**
High voltage - mid	3,008,312	171,827	51,522	23.05%	**33,489**
High voltage - large	32,872,411	1,093,576	505,872	31.63%	**328,817**
Sub transmission	17,652,275	188,294	287,483	60.41%	**186,864**
Transmission connected customers	**The circumstances of each transmission customer differ significantly, to we have not tried to present an 'average' customer. Million dollar increases in transmission charges are possible for these customers.**				

Note: The change in bill impacts set out in this table are only inclusive of AusNet's Transmission Revenue Reset revenue (e.g. AusNet controllable revenue + non-controllable sources such as easement land tax). It is not inclusive of other changes to transmission charges (e.g. due to new transmission infrastructure - set out by VicGrid through the Victorian Transmission Plan and AEMO through the Integrated System Plan).

We want your feedback

- **We do not control many of the charges that make up the transmission component of customers' bills, as shown in Figure 18. Do you feel our approach to keeping bill impacts down – minimising discretionary spending to maintain similar levels of service – is the right approach?**
- **Do you agree we have struck the right balance of costs and service levels, noting that removing or deferring projects would result in a decline in service levels? If not, what could we add or subtract from the 2027-32 work program to better meet customers' long-term interests?**

5 Engagement

5 Engagement

5.1 Key messages from customers and stakeholders

We are listening to our customers' views and preferences and working to reflect these in our plans for the Victorian transmission network.

A fit-for-purpose Transmission Stakeholder Advisory Panel has been constructively challenging our planning and deliberating on the right cost and service-level balance throughout the planning process. We will continue working with this panel as we finalise and submit our proposal to the Australian Energy Regulator.

Broader stakeholder groups have been involved in topics that are of particular interest to them, including landholder experience, connections to the transmission network and network resilience.

We have considered insights gained through our day-to-day operations and interactions, as well as customer research carried out recently as part of developing our electricity distribution plans.

Here are some key messages from our customers and stakeholders:

- Resilience is a growing priority for customers – as extreme weather events become more common, stakeholders and customers were supportive of our proposed resilience investments, including tower strengthening, digital systems and transformer upgrades.
- Deliverability must be front and centre in our final TRR 2027-2032 proposal – stakeholders and customers appreciate our transparent and proactive approach in analysing labour, materials, outages and planning constraints, and want to see projects prioritised based on what can realistically be delivered in the 2027-32 time frame.
- Pricing impacts – customers and stakeholders are cautious around pricing increases, particularly given the current cost of living. However, customers and stakeholders acknowledged that investments need to be made to keep the transmission network reliable and prevent system black outages. Customers and stakeholders want us to be clear and transparent with cost estimates and the implications they will have for electricity bills.
- There is a need for us to uplift our landholder engagement capabilities in order to create productive relationships with landholders who host existing transmission infrastructure, so that upgrades and maintenance work can be delivered in a timely and efficient manner.

5.2 Understanding customer needs and priorities

We started our engagement with a strong understanding of customers' need and priorities and have leveraged this in our planning. Engagement is not a one-in-five-year activity. We had a sound understanding of customers' needs and priorities of electricity networks prior to commencing our Transmission Revenue Reset and have continued to monitor these throughout. Extensive engagement with Victorian electricity users has consistently shown that Victorians expect several things of their energy networks, relevant to both transmission and distribution networks.

Victorians want their electricity networks network to be:

Safe for the general public who live and work near it

Resilient to disruptions from extreme weather and other events

Ready to meet future challenges as they arise

Reliable and available when they need it

Efficient not costing any more than it needs to

In addition to the above, are two unique-to-transmission priorities that our stakeholders flagged for improvement and engagement:

Enabling and supporting connection to the transmission network

Giving landholders fit-for-purpose service to help minimise the impact of our transmission activities on them and their businesses.

5.3 Our engagement approach

We designed our engagement approach with customers and stakeholders in mind. Throughout our TRR 2027-2032 engagement process, we remained flexible and responsive to our operating context and our customer and stakeholders' feedback. This resulted in several updates to our program and how we do things.

Customers and stakeholders – particularly our Transmission Stakeholder Advisory Panel (TSAP) – were intimately involved in the design of many aspects of our engagement program, including:

- our engagement approach and timeline for the 2027-2032 TRR
- what topics and issues we should look into and consider
- the most important topics we should cover in deep dives
- raising additional stakeholder and customer groups/organisations that we should involve in our engagement
- finalising the approach to engagement in this draft proposal.

We also leveraged a range of other information sources on customers' needs while preparing this proposal:

- AER Value of Customer Reliability research
- insights from commercial and industrial energy users, including our directly connected customers who engage with us as needed for operational and strategic matters
- Victorian electricity users' inputs to the five Victorian electricity distribution networks' Electricity Distribution Price Reviews (EDPR) 2026-31. Households and businesses were engaged extensively since 2022 on their changing electricity needs and expectations.
- our experiences with new transmission infrastructure across Victoria
- customer and stakeholder feedback during interactions with us
- engagement by VicGrid and AEMO, which informed the development of their Victorian Transmission Plan and Integrated System Plan, which have in turn informed aspects of our expenditure proposal.

5.4 Transmission Stakeholder Advisory Panel

The Transmission Stakeholder Advisory Panel (TSAP) plays a vital role in shaping our TRR 2027 - 2032. Transmission planning is highly technical and complex, with long-term implications for energy reliability, affordability and sustainability. To support this process, we brought together a panel of customer and stakeholder representatives from across the energy sector, including consumer advocacy, infrastructure delivery, retail, generation, distribution and large-scale industrial energy users. Each panel member brings deep knowledge and real-world experience to the table, helping to ask the right questions and challenge us to deliver a proposal that aligns with the interests of Victorian energy users, now and into the future.

The TSAP's role is to:

- provide credible, evidence-based insights and advice that allow us to better understand our customer and stakeholders' diverse needs, circumstances, perspectives, interests and preferences, in the context of the TRR 2027-2032
- engage constructively with us and other members to provide feedback on economic and technical regulatory inputs to the revenue proposal, such as expenditure forecasts.

The panel is made up of professional and independent advocates representing key customer and stakeholder groups of the Victorian transmission network. Panel members are consumer advocates (representing large and small businesses and households), generators and developers, delivery partners and other Victorian energy distributors. Members were selected via a competitive recruitment process and include both seasoned customer advocates and new customer advocates with skills to complement them – namely in large infrastructure planning and digital – to align with the key topics being discussed through the TRR process.

▼ Table 4: Transmission Stakeholder Advisory Panel members

Member	Member type
Glenn Orgias	Consumer advocate, independent
Alex Crosby	Consumer advocate & delivery partner, Multiworks
Al Mills	Generator and developer, Squadron Energy
Andrew Richards	Consumer advocate, Energy Users Association of Australia
David Markham	Consumer advocate, Australian Energy Council
Gavin Dufty	Consumer advocate, St Vincent de Paul
Harshal Patel	Consumer advocate, independent
Rebecca Xuereb	Consumer advocate, independent
Richard Robson	CitiPower, Powercor & United Energy
Tennant Reed	Consumer advocate, Ai Group
Theodora Karastergiou	Jemena

5.5 Engagement program focus areas

In addition to engaging with the Transmission Stakeholder Advisory Panel, we conducted several 'deep dive' workshops on key topics, including:

- capital expenditure, such as replacement and augmentation expenditure
- operating expenditure
- transmission network connection process
- landholder experiences
- network resilience.

Affordability and value-for-money have been a consistent focus in all our engagement activities, which have largely focussed on striking the right balance between investment levels and costs to customers and the benefits they receive.

Capital expenditure (capex)

We are entering a period where significant investment is needed in our network to meet the challenges of an ageing network. We forecast $2.9 billion in capital expenditure is necessary during the next regulatory period.

This, along with a higher regulated rate of return, will result in increased customer bills.

Operating expenditure (opex)

New sources of operating expenditure are identified as 'step changes', subject to regulatory approval. The majority of expenditure will be forecast consistently with historical performance.

Transmission network connection process

We held two workshops exploring improvement opportunities for our current connection process and how we will implement these opportunities where possible. The broader attendees for these workshops included developers, generators, distributors and the TSAP.

Landholder experience

We are looking to improve the way we engage with landholders who host our transmission infrastructure on their properties. This is to foster a collaborative relationship and minimise issues caused by access refusal. We held a workshop to discuss the need to uplift our landholder engagement on the existing transmission network and potential options on how this could be done best. Attendees for this workshop included landholders who host existing transmission infrastructure, landholder advocates, social service organisations, regulators include Energy Safe Victoria (ESV) and the TSAP.

We took away some clear outcomes from this forum, which informed the design of the landholder experience package outlined in Section 6.1.

Network resilience

We held a workshop to discuss the implications of the changing environment and how we might strengthen our network to better withstand and recover from major events. Attendees for this workshop included representatives from VicGrid, the Department of Energy, Environment and Climate Action (DEECA) and the TSAP.

5.6 Further engagement

We will be meeting twice more with our TSAP between concluding engagement on this draft proposal and submitting our proposal to the AER. Pending further information and feedback, topics scheduled for discussion include:

- Feedback received during engagement on the draft proposal
- The results of the deliverability assessment
- Cost allocation
- Hearing from VicGrid and AEMO
- Risk allocation for the TRR 2027-32, including contingent projects or cost pass-throughs, and re-openers
- Reflecting new information in our proposal case including the final VTP, refined business cases, latest forecasts and the Victorian Annual Planning Report
- Reflections on the process, and the TSAP's independent report
- Post-lodgement engagement, and ongoing accountability and engagement within the regulatory period

New expenditure categories

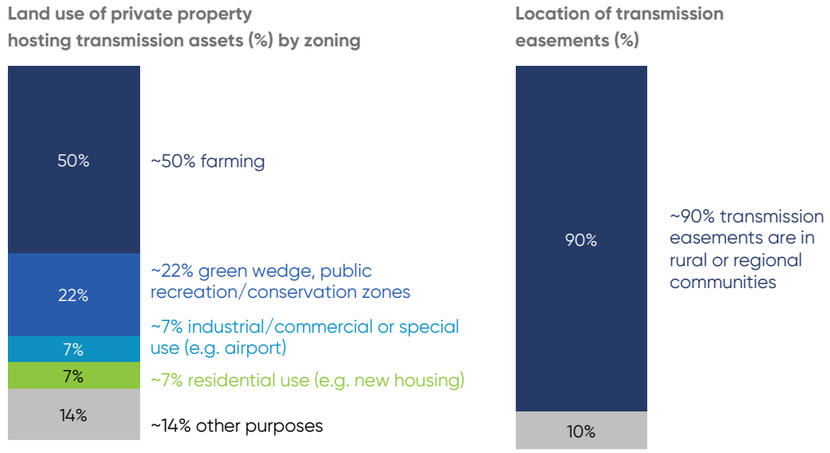
6 New expenditure categories

6.1 Landholder engagement

What's the challenge?

We recognise and value all landholders who host our transmission infrastructure, many of whom are farmers in regional communities. We are aware of the concerns hosting landholders have around access, disruptions to operations and biosecurity risks, to name a few. Without consistent and meaningful communication, these concerns can accumulate over time, eroding trust and creating tension. We are committed to working respectfully and collaboratively with all landholders so that our operations are transparent, considerate, and responsive to their needs.

▼ Figure 20: Landholders on our transmission network



Source: AusNet

Ongoing engagement with landholders who host existing transmission infrastructure is essential to the safe, effective, and sustainable operation of the network. For the following reasons, we require a step change in funding for landholder engagement:

- The volume and complexity of work is increasing, which means we will be on landholder's properties more often due to a growing project pipeline. Investment in the existing transmission network is needed to keep our aging network safe, reliable and resilient to new climate risks. We are also required to connect new clean generation to replace the retiring fleet.
- Rising landholder expectations - with the transition to renewable energy, community interest around energy infrastructure is increasing. Expectations around engagement is rising with many industry parties capturing expectations, including the Energy Charter, the Land Access Code of Practice and the Victorian Farmers Federation's (VFF) code of conduct. We are also hearing feedback of engagement expectations directly from our hosting landholders through our channels.
- Within our transmission network, Operations & Maintenance (O&M) is the essential day-to-day activities that keep infrastructure safe and functional—such as inspections, repairs, vegetation management and emergency response. Projects, on the other hand, involve planned major asset intervention such as replacements and major refurbishment often requiring longer duration access and engagement. While these activities differ in scope and timing, both have a direct impact on landholders.
- Failing to address the demand for consistent and reliable engagement puts our own projects and broader Victorian infrastructure investments at risk.

How will we address this?

We are proposing a target set of expenditure aimed at uplifting our systems and people to provide better landholder engagement. Our improvement initiatives are built around the principles of active listening, clear communication and meaningful action. This will directly benefit our landholders, who will experience more consistent and personalised communications aimed at making AusNet a trusted partner. Our broader customer base will avoid escalating costs that could be driven by access refusal, this is particularly important as asset replacement programs see a higher volume on construction activity being needed on customers assets.

We conducted preliminary engagement on this expenditure with a small group of stakeholders, including farming sector representatives and our TSAP. There was strong agreement for change, with the group wanting to see improvements in landholder engagement while being mindful of costs. We guided the group through multiple potential options and their varying levels of service and took direction on the mix of options supported by the group.

We have set out a series of service improvements in Table 5 on the next page.

What does this mean for our customers?

This engagement program was designed with landholder advocates to address the major pain points they are experiencing with existing transmission infrastructure.

We propose a total investment of $13.9 million to uplift our engagement with landholders proportionately, while considering the impact on consumer bills. This includes four Full-Time Equivalent (FTE) landholder engagement staff, external communications campaign resources and digital systems capability uplift. We are excited to deliver this step change to improve landholder experiences.

For the average household/business, the total cost of the above programs is~$0.90 per year. In return, customers benefit from a lower risk of unintended costs due to access refusal, while landholders experience smoother interactions with us and our delivery partners. This is a cost-effective investment that not only protects the physical infrastructure but also helps contribute to the continued reliability of electricity supply for homes, businesses and essential services during critical times.

We'd love your input

- **Have we struck an appropriate balance between investing in our relations with landholders and the financial impact on our customers?**
- **Are we focussing on the right areas for improvement?**

▼ Table 5: Landholder experience improvement areas

Improved land access management and communication

Improvement area	Service offered through opex	Service offered through capex
Notification	Provide notification to landholders who have requested to be notified, 48 hours prior to scheduled access to their property. Including an opt-out option.	Notify hosting landholders before access and share project scope and timelines.
Biosecurity measures*	Set baseline biosecurity standards aligned with regulations for all sites and follow any posted biosecurity signage.	During early engagement, collect landholders' biosecurity requirements and confirm that we, including our delivery partners, follow them with proper record keeping and regulatory compliance.
Risk mitigation*	Processes in place to minimise risk to land; land will be returned to its original condition.	Develop a property management plan outlining land risks and mitigation steps. If full mitigation isn't possible, restore the land to its original condition after the project.
Safety campaign	Deliver a yearly campaign to raise awareness of landholder responsibilities and safety around transmission infrastructure, with website updates and info packs for new landholders.	
Improved dispute handling*	Proactive approach to resolving disputes by improving internal processes and raising awareness of external escalation options.	
Transparency on options selection*	When different construction methods may affect landholders, share the options and impacts where relevant. Include benefits of underground vs. overground infrastructure on the website.	

More personalised services

Improvement area	Service offered through opex	Service offered through capex
Land access	Landholders share their access preferences (via web form or other channels). If strong preferences are flagged, our regional team will arrange access agreements and communicate directly with those landholders.	Discuss and agree on access preferences with all project landholders.
Consistent and local resources	Provide consistent regional AusNet contacts for ongoing communication. Dedicated staff will engage with landholders, answer questions and issue permits as needed.	
Understanding of agricultural operations*	Better understand landholders' farming operations to factor in agricultural seasons when planning work, where possible.	
Consistent interactions*	Work with delivery partners to better integrate our service standards/initiatives, so landholders receive consistent information at every touchpoint.	

*We are absorbing the opex cost of these activities. That is, they do not contribute to the $13.9 million total cost of the program.

6.2 Tower strengthening resilience project

What's the challenge?

We identified that very strong localised winds (called convective downbursts) contributed to the collapse of towers in Anakie in February 2024. These winds are in-excess of the maximum windspeeds that many of our towers were designed to withstand. As we shift to more renewable and decentralised energy sources, face more frequent extreme weather and cyber threats, the transmission network must do more than just deliver power reliably – it must be resilient. That means being able to anticipate, withstand and recover from unexpected disruptions like storms or equipment failures.

How are we proposing to address this?

We propose a targeted program to address the risk associated with elevated windspeeds, similar to those identified in the Anakie tower collapses.

Using advanced weather modelling and engineering assessments, we identified towers most at risk from severe wind events, especially along the Sydenham to Heywood corridor. By analysing structural integrity and environmental exposure, we're prioritising upgrades to 179 towers, reinforcing key components to improve resilience where it matters most.

The strengthening work involves reinforcing key tower components – such as cross-arms, foundations and bracing systems – to improve their ability to withstand high wind loads. These upgrades are designed to be both effective and cost-efficient, enhancing durability without requiring full tower replacements.

This approach is consistent with the expectations provided by regulators including Energy Safe Victoria to be "…proactively assessing its controls for the risk of transmission tower collapse due to weather events across its Victorian network."[1]

What does it mean for customers?

This program is designed with customers in mind – delivering long-term benefits at a minimal cost. The total investment of $33 million will fund the strengthening of 179 towers across nine of Victoria's most critical transmission lines. These upgrades are expected to reduce the number of tower collapses from an estimated 3.5 events to 1.7 over the next 30 years. That means fewer large-scale outages, faster recovery times and a more stable electricity supply during extreme weather.

For the average household/business, the cost of this program is just ~$0.24 per year. In return, customers gain a more resilient and secure energy system that's better equipped to handle the challenges of climate change and the transition to renewable energy.

This is a cost-effective investment that not only protects the physical infrastructure but also helps to support reliable electricity for homes, businesses and essential services when it's needed most.

We'd love your input

- **Have we struck an appropriate balance between investing in network resilience and the financial impact on our customers?**

1 ESV (Energy Safe Victoria) 2025, Detailed energy safe investigation Anakie transmission tower collapse concludes, accessed here.

6.3 Low span remediation

What's the challenge?

Some transmission line spans across Victoria do not meet the required safety clearances between power lines and the ground, vegetation or infrastructure. These "low spans" pose potentially serious safety risks – such as electrical flashovers – especially when tall vehicles or equipment pass underneath. ESV us to conduct a risk assessment of all low spans. We completed this risk assessment and where the risk is sufficiently high, we propose taking action to bring these spans into compliance and protect public safety.

The majority of the low spans are not considered a significant safety risk. For example, remediation may not be necessary where the terrain makes it impossible for large vehicles to pass underneath spans.

How do we propose to address this?

We conducted a detailed risk assessment of 1,717 spans across the network. This included evaluating:

- conductor sag at high temperatures
- compliance with current clearance standards
- voltage margin for overvoltage conditions
- accessibility and crossing risk, such as roads or tracks beneath the lines.

From this, 114 spans were identified as high risk. Of these, 108 will be physically remediated during the 2027-32 period using engineering solutions like re-tensioning, earthworks, installing intermediate poles, or inverted cross arms. The remaining six are being completed before the beginning of the next regulatory period.

The remaining 1603 were identified as tolerable or negligible risk – these will not be physically altered but will remain under active monitoring and control. This makes sure that resources are focused where they're needed most, while still maintaining oversight of the broader network.

What does it mean for customers?

This program is fundamentally about keeping people safe. By raising the height of transmission line spans that fall below safety standards, we reduce the risk of significant incidents – such as electrical flashovers or contacts with tall vehicles, which can endanger lives, damage property or disrupt power supply. This program also reduces the likelihood of costly emergency repairs or unplanned outages, which can be far more disruptive and expensive in the long run.

Importantly, the program is designed to be cost-effective. By focusing only on the highest-risk spans and applying a rigorous cost-benefit analysis to lower risk cases, we make sure that every dollar spent delivers meaningful value. This targeted approach helps keep overall costs down while still delivering a safe network.

The program will cost $95 million (including overheads and capitalised finance charges) over the 2027-32 period and reflects a cost to the average household/ business of ~$0.75 per year.

We'd love your input

Have we struck an appropriate balance between investing in the safety of our community and the financial impact on our customers?

Capex forecast comparison

7 Capex forecast comparison

7.1 Current period (2023-27) vs (2027-32) capex forecast

Our capex forecast for the 2027-32 regulatory period is expected to reach $2.9 billion ($, real March 2027). This represents a significant increase from the $1.2 billion capex allowance approved by the AER in the 2023-27 period. The rise is primarily driven by increased investment in network replacement, energy transition planning and maintaining a reliable service for our customers.

▼ Table 6: Comparison of expected and forecast capex ($m, real March 2027)

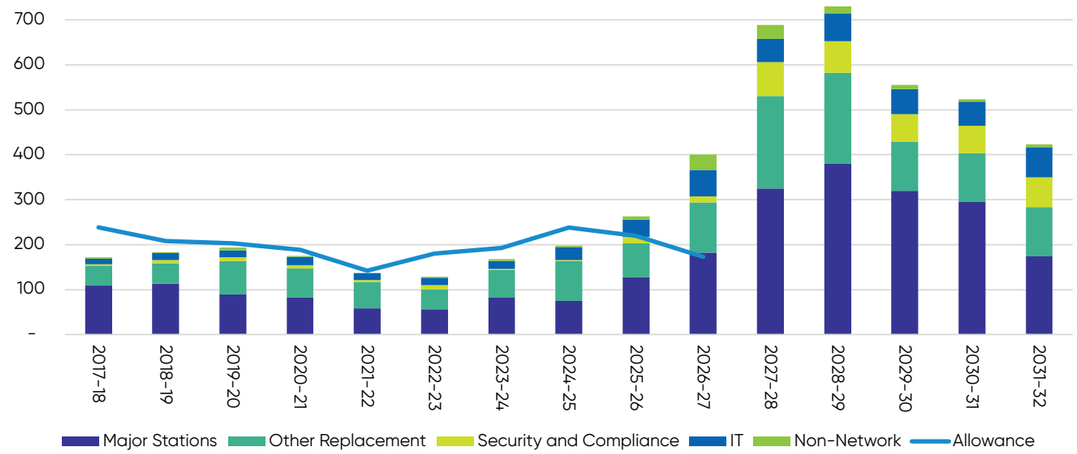
Capex component	Actual / forecast capex (2023-27)	Forecast capex (2027-32)	Driver
Major stations	$523.2	$1,486.7	Driven by rising unit costs due to global supply chain pressures and ageing infrastructure – many assets from the 1950s-60s are now at end-of-life. Deliverability is also a key challenge, with labour shortages, long equipment lead-times and outage constraints impacting project timelines.
Replacement expenditure	$382.6	$732.4	Driven primarily by ageing network assets assessed to have deteriorated in condition. Higher unit costs and growing volumes, especially for lines and towers, are pushing up expenditure despite lower-than-expected delivery in recent years.
Safety, security and compliance	$42.1	$332.1	This covers a range of asset types identified for replacement to comply with obligations or standards, some of which have become stricter. This also includes the introduction of several new categories of expenditure, such as low span remediation and tower strengthening.
Digital	$160.1	$262.9	Modernising systems for greater network resilience, cybersecurity and operational efficiency. Rising digital threats and the shift towards more dynamic, data-driven grid management are increasing demand for new platforms, tools and field enablement technologies.
Other non-network capex	$51.5	$68.5	Driven by rising expectations around critical infrastructure protection, sustainability and workforce capability are increasing investment in secure facilities, environmental upgrades and operational tools.
Total	**$1,159.5**	**$2,882.1**	

7.2 Our capex forecast

We are forecasting total capital expenditure of $2.9 billion ($, real March 2027) for 2027-32, which is 2.5 times more than our expected capital expenditure in the current period. Our forecast asset replacement projects and programs have been developed using an economic risk-based approach. This longstanding approach addresses reliability, safety and environmental risks prudently and efficiently, serving the long-term interests of customers.

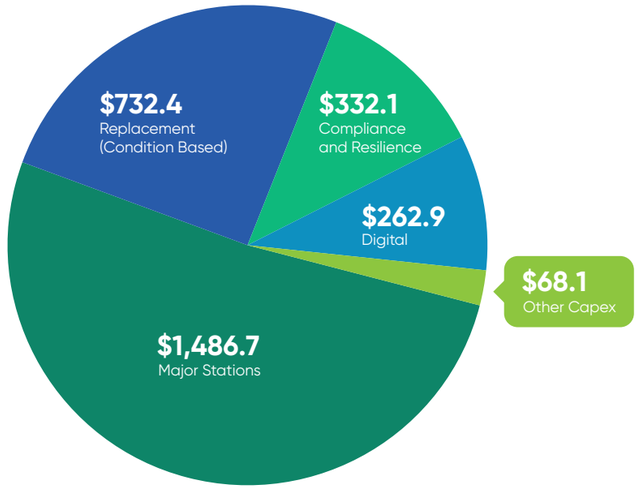
In developing this forecast, we considered the trade-offs associated with deferring capital projects. While economic deferral can reduce short-term costs, it may increase long-term risks to reliability, safety and cost escalation. For example, delaying the replacement of ageing assets could lead to higher failure rates, more frequent outages or emergency repairs that are more expensive and disruptive. Our investment timing reflects a balance between cost efficiency and the need to maintain a secure and reliable transmission network for all Victorians.

▼ Figure 21: Actual, forecast and proposed capital expenditure (2018-2032), ($m, real March 2027)



Source: AusNet

▼ Figure 22: Composition of our capital expenditure forecasts (2027-32), ($m, real March 2027)



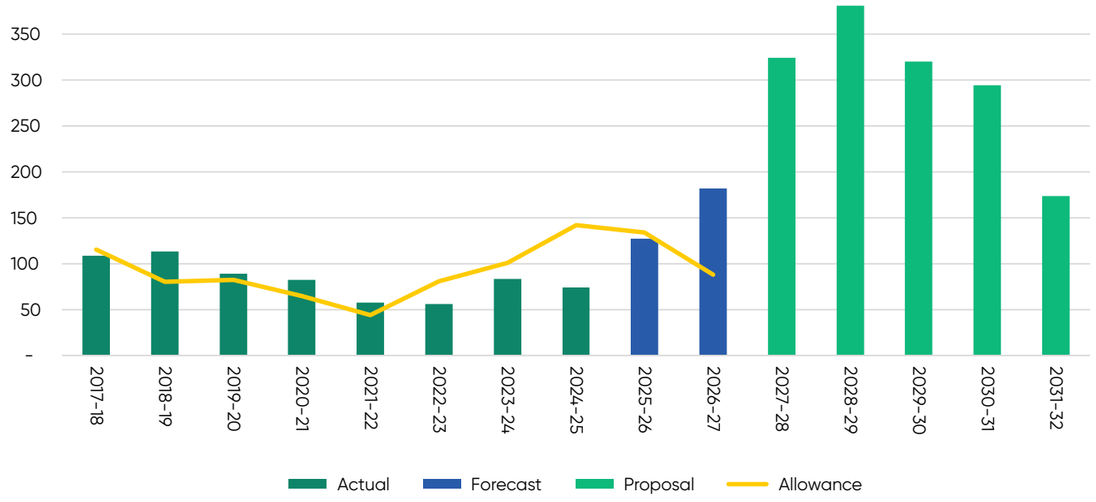
Source: AusNet

Major stations

The major stations replacement program will replace selected, deteriorated assets at terminal stations where the risk to the safety and reliability of the transmission network outweighs the cost of a replacement program. As such, these projects are critical to make sure the transmission network continues to provide reliable supply to Victoria.

We propose $1.5 billion ($, real March 2027) in major stations projects, including major station upgrades across 14 key projects, including large-scale transformer and switchgear replacements at sites like South Morang, Keilor and Geelong. These upgrades are driven by asset age, condition and system resilience and are essential to maintain the performance and reliability of Victoria's transmission network.

▼ Figure 23: Actual, forecast and proposed major stations capital expenditure, ($m, real March 2027)



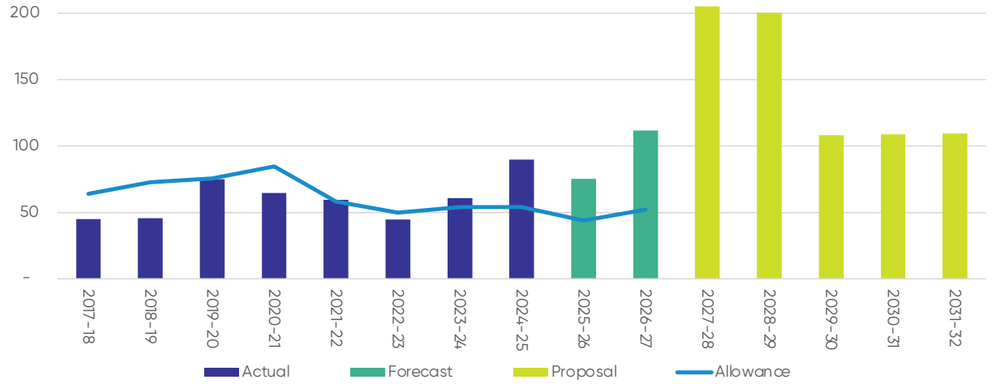
▼ Table 7: List of major stations projects

Major station project	Description
KTS 500/220kV transformer replacement	Kelior Terminal Station (KTS) is an important terminal station forming part of the main Victorian 500kV and 220kV transmission system. Three 500/220kV transformers and one 220/66kV transformer require replacement.
SMTS 500kV GIS and F2 transformer replacement	The South Morang Terminal Station (SMTS) 500kV switchyard is a critical component of the 500kV Victorian transmission backbone, 330kV VIC-NSW interconnection and the 220kV metropolitan network. The SMTS 500kV Gas Insulated Switchgear (GIS) and one 500/330kV transformer (F2) require replacement.
SMTS 330/220kV transformer replacement	SMTS is a critical terminal station in the Victorian transmission network. Transformer replacements are needed to maintain reliable 330/220kV network services at SMTS.
NPSD 220kV GIS	Newport Power Station D (NPSD) is an intermediate load plant located on the west bank of the Yarra River in Newport, Victoria. Three NSPD 220kV GIS switchgear requires replacement.
GTS B4 transformer and switchgear replacement	Geelong Terminal Station (GTS) forms part of the main Victorian 220kV transmission system. One 220/66kV transformer, five 220kV circuit breakers and 66 kV equipment require replacement.
TGTS B2 transformer replacement	Terang Terminal Station (TGTS) forms part of the main Victorian 220kV transmission system in south-west Victoria. A 220/66kV transformer requires replacement.
DDTS H3 330/220kV transformer & circuit breaker replacement	Dederang Terminal Station (DDTS) is an important terminal station and is part of the New South Wales-Victoria 330kV interconnector. A H3 transformer and two 330kV circuit breakers require replacement.
KGTS transformer and switchgear replacement	Kerang Terminal Station (KGTS) is part of the north-west 220kV network with connections to Bendigo and Wemen Terminal Stations. Two 220/66/22kV transformers require replacement.
ROTS 500 kV GIL replacement	Rowville Terminal Station (ROTS) plays a critical role in Victoria's electricity transmission network, particularly in supporting the Eastern Metropolitan Melbourne region. ROTS Gas Insulated Line (GIL) systems require replacement.
TTS circuit breaker replacement	Thomastown Terminal Station (TTS) is an important terminal station forming part of the220kV transmission network in Victoria's metropolitan region. Two 220/66/22 kV transformers require replacement.
LYPS and HWTS 500kV circuit breaker replacement stage 2	Loy Yang Power Station (LYPS) & Heywood Terminal Station (HWTS) in the Latrobe Valley both require replacement of their 500kV circuit breakers.
BATS B2 transformer replacement	Ballarat Terminal Station (BATS) is an important terminal station in Western Victoria forming part of the north-west 220kV loop. A B2 transformer is in poor condition and requires replacement.
MLTS reactor replacement	Moorabool Terminal Station (MLTS) is located north of Geelong and forms part of the main 500kV transmission backbone with transformation from 500kV to 220kV. Two shunt reactors are in poor condition and require replacement.
MWTS 66kV circuit breaker replacement	Morwell Terminal Station (MWTS) is an important terminal station located in the Latrobe Valley. Transformers, 66kV circuit breakers and other switchgear are in poor condition and require replacement.

Replacement programs

Asset replacement programs involve the replacement of deteriorated line and tower assets (e.g. conductors), station assets (e.g. transformers and circuit breakers), protection and control systems and communication equipment and are crucial to maintaining the safety and reliability of the transmission network.

▼ Figure 24: Actual, forecast and proposed replacement programs capital expenditure, ($m, real March 2027)



Source: AusNet

As with major station projects, asset replacement programs are economically justified when the consequence of failure exceed the cost of replacement. This occurs as the condition of our assets deteriorate, resulting in the performance of these assets (in terms of being able to provide safe and reliable power) gradually declining, presenting risks to the continued reliability and safety of the transmission network. However, unlike major station projects which target the replacement of deteriorated assets at a single location, replacement programs involve the replacement of individual types of assets geographically spread across the network.

We forecast this replacement program to cost $732.4 million ($, real March 2027). This program represents a significant increase compared to the current period. A key driver of the increase is escalations in unit rates (above inflation) that have made it more expensive to conduct replacement programs. Some categories are also expected to increase due to the volume or number of asset replacements identified for the program compared to the current period.

Details of the asset types within this replacement program:

- **Lines and towers:** This category includes a number of critical asset types for transmission lines including towers, insulators, conductors and power cables.
- **Stations**: This category includes important assets in terminal stations, including circuit breakers, civil infrastructure, disconnectors and earth switches, instrument transformers, power transformers and oil filled reactor components, surge arresters and infrastructure for fire detection and suppression.
- **Secondary and Protection**: This category covers secondary systems, auxiliary power supply stations and radio sites.
- **Communications**: This category includes assets such as bearers, network technologies, telephony, radio site facilities and metering systems.

The expenditure proposed for each category is provided in the table below, with a comparison to the current period.

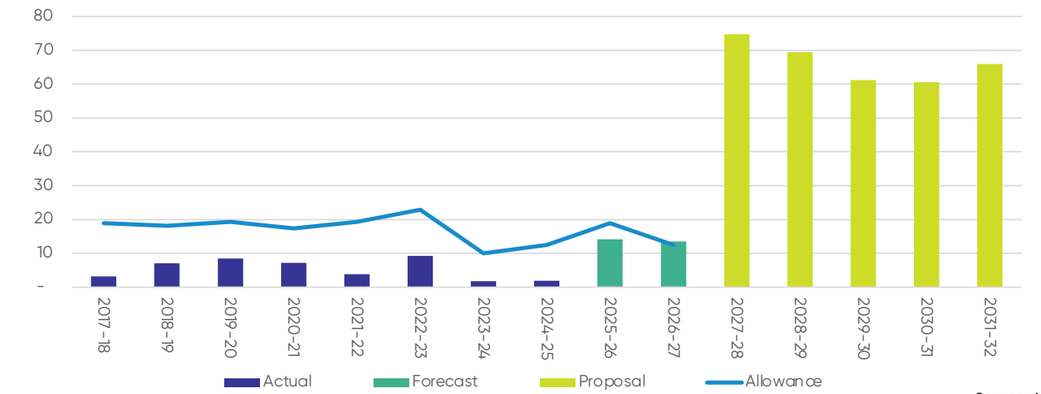
▼ Table 8: Actual, forecast and proposed replacement programs expenditure ($m, real March 2027)

Category	Actual / Forecast capex (2023-27)	Proposed capex (2027-32)
Lines and Towers	$225.2	$460.4
Stations	$48.0	$85.2
Secondary and Protection	$62.0	$58.8
Communications	$47.3	$127.9
Total	**$382.6**	**$732.4**

Safety, security and compliance

This program covers a range of asset types identified for replacement due to compliance obligations or standards. Examples include the physical security requirements set out in the Security of Critical Infrastructure (SOCI) Act and the safety requirements for transmission lines set out by ESV.

▼ Figure 25: Actual, forecast and proposed safety, security and compliance programs capital expenditure, ($m, real March 2027)



Source: AusNet

We are proposing a capital expenditure of $332.1 million for safety, security and compliance programs. Importantly, this includes the introduction of several new categories of expenditure, including low span remediation and the tower strengthening resilience project. Significant uplifts for physical security, environmental and other compliance obligations reflect the need to comply with stricter requirements (e.g. recent changes to SOCI legislation), cost escalation above inflation and ongoing compliance with obligations, such as the Environment Protection Act 2017 (EPA).

Details of the asset types within this replacement program:

- **Environmental:** Our environmental obligations are set out in Victorian & national laws and regulations, such as the Environmental Protection Regulations 2021. Environmental works can address risks such as elevated metals or nutrients in stormwater, leaks from aging infrastructure and compliance with noise standards.
- **Low span remediation**: This is a new category of expenditure relating to transmission line spans across Victoria that do not meet the required safety clearances (low spans) and pose potential safety risks (see Section 6.3).
- **Physical security**: This category covers secondary systems, auxiliary power supply stations and radio sites.
- **Other compliance**: This category relates to compliance obligations for a range of assets, including fall arrest structures for towers and line conductors.
- **Tower strengthening resilience project**: This is a new category of expenditure relating to the tower strengthening resilience project (see Section 6.2).

The expenditure proposed for each category is provided in the table below, with a comparison to the current period.

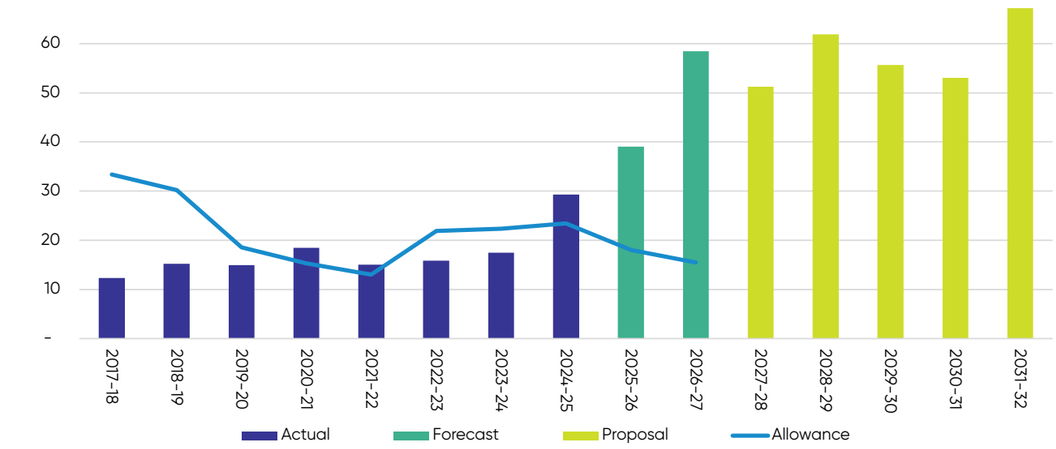
▼ Table 9: Actual, forecast and proposed safety, security and compliance programs capital expenditure ($m, real March 2027)

Category	Actual/Forecast capex (2023-27)	Proposed capex (2027-32)
Environmental	$0.8	$47.3
Low span remediation	$13.1	$94.7
Physical security	$4.6	$94.3
Other compliance	$23.4	$59.8
Tower strengthening resilience project	$0.2	$35.9
Total	**$42.1**	**$332.1**

Digital investment

We must modernise our digital infrastructure to remain agile, secure and future-ready. While our current digital systems remain operational, they require significant upgrades to support real-time data processing, advanced analytics and integrated asset and network management capabilities.

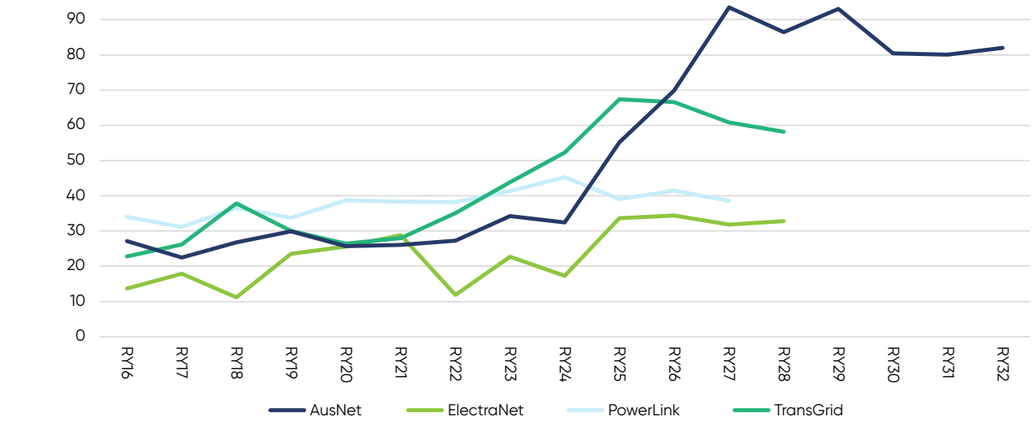
▼ Figure 26: Actual, forecast and proposed digital capital expenditure ($m, real March 2027)



We propose investing $262.9 million ($, real March 2027) in digital infrastructure to modernise our systems and enhance network resilience, cybersecurity and operational efficiency. This investment will directly fund the implementation of advanced digital systems, including real-time monitoring platforms, upgraded analytics software and integrated asset and network management tools. These enhancements will allow us to more effectively manage the growing volume and complexity of data, improve system reliability and strengthen our ability to respond to cyber threats and network incidents.

Historically, we spent less on digital compared to other TNSPs, focusing on maintaining existing capabilities. However, as other networks ramp up investment to build new digital systems, our relatively low spend has created a capability gap. The proposed uplift in expenditure will be particularly relevant in the context of emerging challenges for system resilience, including the operation of an increasingly complex network and cybersecurity risks (see Section 4.4). Due to a lack of published revenue proposals at this time, we are unable to include forecasts of digital spend for other TNSPs over the 2027-32 period.

▼ Figure 27: Comparing TNSP totex (capex + opex) digital spend ($m, real March 2027)



Note: RY16 to RY24 based on information published in Regulatory Information Notices. For other TNSPs, forecasts from RY25 onwards are based on forecasts set out in Revenue Proposal (RIN workbook 1). Sources: AER, Transgrid – Determination 2023-28, January 2022, accessed here; AER, Powerlink – Determination 2023-27, February 2021, accessed here; AER, Electranet – Determination 2023-28, January 2022, accessed here; AusNet

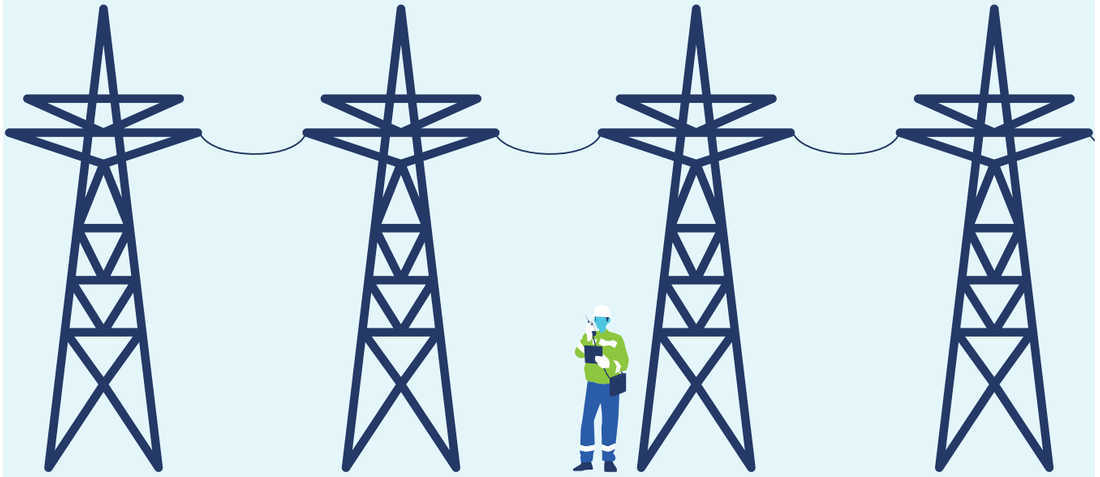
Other non-network capex

The expenditure proposed for each program within the other capex category is included in the table below.

The other non-network capex category totals $68.1 million ($, real March 2027) and includes investment premises upgrades, fleet vehicles and operational tools. These investments support the safe and efficient operation of the network, so we can comply with evolving standards and allow our workforce and infrastructure to meet future demands.

▼ Table 10: Actual, forecast and proposed other non-network capex ($m, real March 2027)

Category	Actual / Forecast capex (2023-27)	Proposal capex (2027-32)
Premises	$37.7	$32.8
Vehicles	$1.7	$4.5
Tools, measurement equipment and other	$12.0	$30.9
Total	**$51.5**	**$68.1**



We want your feedback

- **Do you have any feedback on our capital expenditure forecasts?**
- **Is further information or analysis required on any aspects of our capital expenditure proposal?**
- **Have we appropriately balanced reliability and affordability considerations, noting our approach is based on the Value of Customer Reliability as recently estimated by the AER?**

Opex forecast

8 Opex forecast

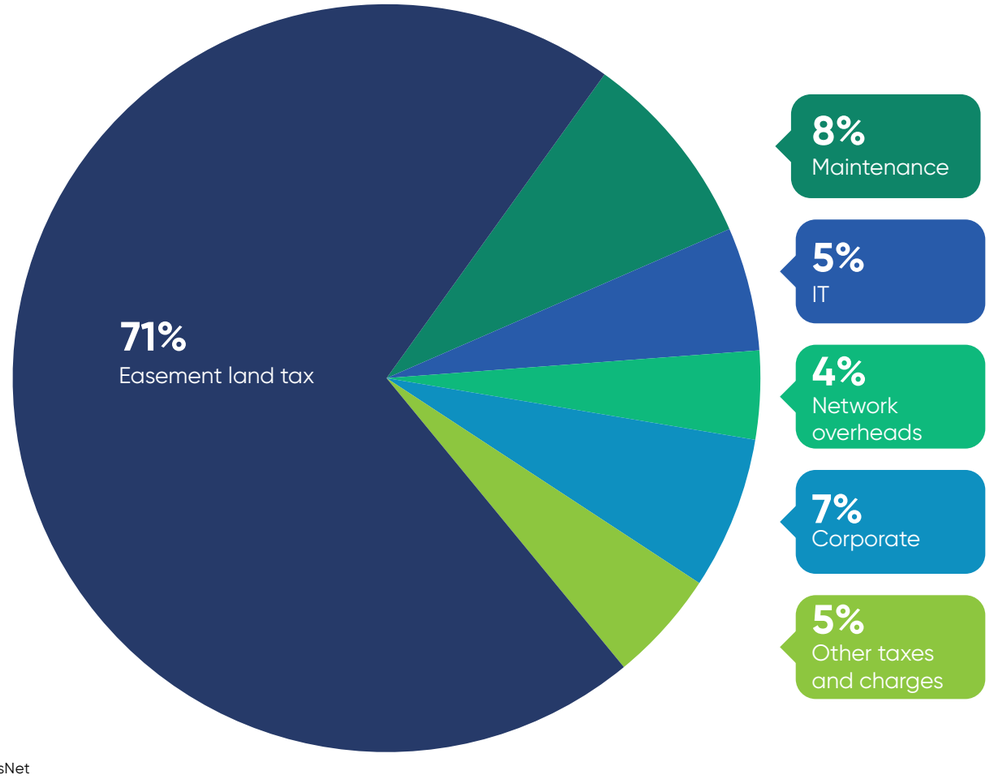
8.1 Breakdown of our opex

Our proposed opex minimises costs while maintaining the reliability and safety of network services and managing network growth.

This proposed opex delivers strong value for customers by keeping controllable costs low while maintaining a safe and reliable electricity supply. By efficiently managing our operations, we direct the majority of customer-funded expenditure towards enhancing the performance and resilience of the network. Figure 28 below shows how much is spent on each category of operating expenditure (opex) costs.

Easement land tax makes up the majority of these costs, accounting for an estimated 71% of our opex. The remaining categories reflect 'controllable' categories of opex that we are incentivised to reduce, including maintenance, IT, network overheads, corporate and other taxes and charges.

▼ Figure 28: Breakdown of operating expenditure (average over 2022-23 to 2024-25)

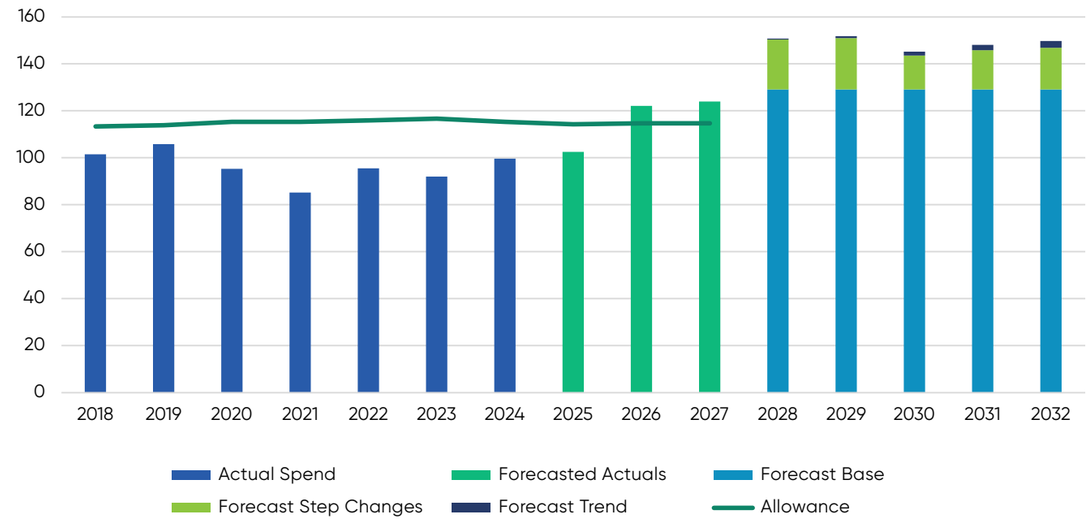


Source: AusNet

8.2 Our opex forecast (2027-32)

Figure 29 below shows our actual and expected controllable operating expenditure (excluding easement land tax) in the current and previous regulatory periods, as well as our forecast for the next period. Our forecast of controllable opex is $745.6 million (real March 2027), which is 23% higher than the allowance approved for the current period.

▼ Figure 29: Actual, forecast and proposed controllable operating expenditure, ($m, real March 2027)



▼ Table 11: Proposed total operating expenditure (2027-2032), ($m, real March 2027)

	2027-28	2027-29	2029-30	2030-31	2031-32	Total
Base opex	129.2	129.2	129.2	129.2	129.2	645.8
Step changes	21.19	21.84	14.49	16.69	17.80	92
Trend parameters	0.4	0.9	1.6	2.2	2.7	7.8
Total controllable opex	**139.6**	**144.2**	**148.1**	**153.0**	**155.8**	**740.7**
Easement land tax (and other category specific forecasts)	282.4	285.5	288.6	291.8	295.1	1443.4
Total net opex	**433.1**	**437.4**	**433.9**	**439.9**	**444.8**	**2189**
Debt raising costs	1.7	1.7	1.7	1.7	1.7	8.0
Total opex incl debt raising costs	**434.8**	**439.1**	**435.6**	**441.5**	**446.5**	**2197.5**

Efficient base year

The base year accounts for approximately 87% of the controllable opex forecast. We propose 2025-26 as the base year for the 2027-32 regulatory period. The 2025-26 year will be the first full year reflecting our updated organisational structure and operating conditions, which makes it more representative of future operations. Our strong track record in operating efficiency, as demonstrated through independent benchmarking, supports the selection of 2025-26 as a representative and efficient base year.

Trend parameters

Our opex forecast incorporates expected real wage growth of approximately 0.7% per annum, reflecting growth in wages above inflation consistent with historical trends and based on independent forecasts. A productivity growth rate of 0.3% per annum is applied, consistent with the AER's industry-benchmarking from its 2024 Annual Benchmarking Report. This helps to partially offset the impact of rising labour costs. Together, these trend parameters contribute around 1% of the total controllable opex forecast for the 2027-32 regulatory period.

Growth assets

Our opex forecast includes an allowance for operating and maintaining new assets that will be added to our regulated asset base in 2027. These assets were constructed during the current regulatory period at the direction of AEMO or the Victorian distribution businesses. Importantly, this does not represent a new cost to customers as these costs are already being recovered by AEMO and the distributors under existing arrangements. As these assets transition into our asset base, the associated operating costs will be recovered through our opex allowance. The operating expenditure forecast reflects $11.5 million of expenditure associated with these assets in the 2027-32 period.

Step changes

Our opex forecast includes several step changes that reflect new regulatory obligations and operational requirements. These initiatives are designed to support a more resilient, efficient and customer-focused network, while enabling future capex savings. Collectively, step changes account for $92 million or approximately 12% of our controllable opex forecast.

▼ Table 12: Proposed opex step changes ($m, real March 2027)

Step change	Description	Benefits for customers	Forecast opex ($m)
Network Operations (VicGrid reforms) (New regulatory obligation)	VicGrid is due to assume operational responsibilities from AEMO. We anticipate this change could require us to uplift our operational capability (subject to finalisation). The cost of this proposed step change is based on an assumed additional FTEs to support the Transmission Operations Centre.	This change is expected to improve reliability, streamline emergency response and consolidate operational responsibilities under one oraanisation.	**$17.5**
Digital (inc SaaS, cybersecurity, etc) (Opex associated with new capex initiatives)	As we modernise our digital systems, ongoing costs such as licensing, subscriptions and cybersecurity services will increase. These costs are tied to capex investments. Some of the digital systems in this program relate to landholder engagement uplift in Section 6.1.	These investments improve the digital systems supporting the grid to remain secure and supply reliable electricity to customers.	**$65.3**
Landholder engagement (Customer driven)	Reflecting rising expectations and new regulatory requirements, this step change supports enhanced land access protocols, biosecurity compliance, digital engagement tools and additional staff to manage landholder relationships.	Avoids project delays and disruptions that hinder timely delivery of network upgrades and maintenance. Important for social license in the transmission sector.	**$6.1**
Insurance (External cost imposed)	Insurance premiums have increased due to climate-related risks. This step change allows us to maintain appropriate coverage levels to manage financial risk and meet stakeholder expectations.	This mitigates risks and costs associated with low probability events that could result in increased costs borne by customers.	**$3.1**
Total			**$92**

Other costs

In addition to step changes, our opex forecasts include allowances for non-controllable operating expenditure. These costs are outside our direct control and are treated separately in line with standard regulatory practice.

▼ Table 13: Non-controllable operating expenditure components

Non-controllable opex	Description	Forecast opex ($ millions, real March 2027) 2027-32 period
Easement Land Tax	State-imposed levy - we pay to operate transmission infrastructure on land we do not own.	$1,414.6
AEMO participant fees	Mandatory charges we pay to AEMO for participating in and accessing the national electricity market.	$22
Debt raising costs	Costs we pay when securing finance for capital projects.	$8.5
Total		**$1,447.1**

These costs are excluded from the base-step-trend forecasting approach because they are not within our control. Instead, they are forecast using established, category-specific methods consistent with AER regulatory practice.

We want your feedback

- **Do you have any feedback on components of our operating expenditure forecasts?**
- **Are there any service performance issues or risk exposures where you think we should do more or less than outlined in this proposal?**
- **Are there any aspects of our operating expenditure proposal where further information or analysis is required for you to better understand the costs?**

Revenue forecast

9 Revenue forecast

Our total revenue requirement for the 2027-32 regulatory period is calculated using the 'building block' approach method set out in the NER. This approach combines several cost components to determine the revenue needed to operate, maintain and invest in the transmission network.

We expect our revenue to increase by 75% (in nominal terms) in the 2027-32 period compared to the allowance approved for the current period 2023-27. Key drivers of the increase include:

- higher easement land tax
- increased capital expenditure impacting return on capital and depreciation
- higher rates of return applied to capital - in the current environment, interest rates are expected to remain much higher compared to the low levels set in the current period.

Table 14 below presents our total revenue requirements across components of the building blocks.

Most of our revenue requirement depends on inputs that we cannot control, most notably the value of our existing assets and financing costs.

The remainder of this chapter provides further information on incentive scheme arrangements, return on capital (financing costs), depreciation and the tax allowance.

▼ Table 14: Building block revenue requirement, ($m, nominal)

	2027-28	2027-29	2029-30	2030-31	2031-32	Total
Return on capital	291.7	346.9	409.8	463.3	517.8	**2,029.5**
Depreciation	125.8	137.3	157.6	166.4	184.0	**771.0**
Operating expenditure excl. easement land tax	162.2	168.0	165.6	173.2	179.8	**848.8**
Easement land tax	284.0	294.1	304.6	315.5	326.8	**1,525.1**
Revenue adjustments (incl. incentive payments)	-7.5	-45.8	-42.3	-29.6	-8.1	**-133.4**
Tax	1.0	-	3.3	6.3	8.9	**19.5**
Total	**857.3**	**900.5**	**998.6**	**1,095.0**	**1,209.1**	**5,060.6**

9.1 Incentive scheme arrangements

The regulatory framework has incentive schemes that impose rewards and penalties so that we find better ways of delivering services to customers. The incentive schemes encourage us to be more efficient, improve service standards and better manage network peak demand.

Table 15 below summarises the schemes that currently apply and explains how they benefit customers.

▼ Table 15: Incentive schemes and customer benefits

Scheme	How will it apply?	Customer benefits
Service performance	The Service Target Performance Incentive Scheme (STPIS) incentivises improvements in service reliability, availability and customer service.	We are rewarded for delivering reliable electricity and keeping our network available when it's needed most. This means fewer outages for customers and better access for low-cost renewable generators.
Operating efficiencies	The Efficiency Benefit Sharing Scheme (EBSS) scheme encourages efficiencies by allowing it to retain a share of underspend relative to the approved forecast.	When we reduce our operating costs, 70% of the savings go directly to consumers, helping to keep network charges lower over time.
Capital efficiencies	The Capital Expenditure Sharing Scheme (CESS) incentivises efficient capital spend and is designed to discourage inefficient deferral or acceleration of capex.	We are encouraged to deliver capital projects more efficiently. When we spend less than forecast, customers receive 70% of the savings so they benefit from prudent investment decisions and lower long-term costs.
Demand management	The Demand Management Innovation Allowance Mechanism (DMIAM) supports innovative, non-network solutions that can defer or avoid traditional network investment.	The innovations that we are supported to trial can minimise total system costs and support a more flexible, affordable energy future.

9.2 Financing costs

To build and maintain a safe, reliable transmission network, we invest heavily in infrastructure. These investments are funded through a combination of borrowed funds (debt) and capital from shareholders.

The cost of this funding – known as financing costs – includes interest payments on debt and returns to shareholders. These costs are included in the total revenue needed to support the delivery of safe and reliable transmission services during the 2027-32 regulatory period.

In this draft proposal, financing costs are based on the standard approaches that will be set out in more detail in the final revenue proposal, consistent with previous proposals.

The annual return on capital is calculated by applying the rate of return to the value of our Regulatory Asset Base (the value of our existing assets).

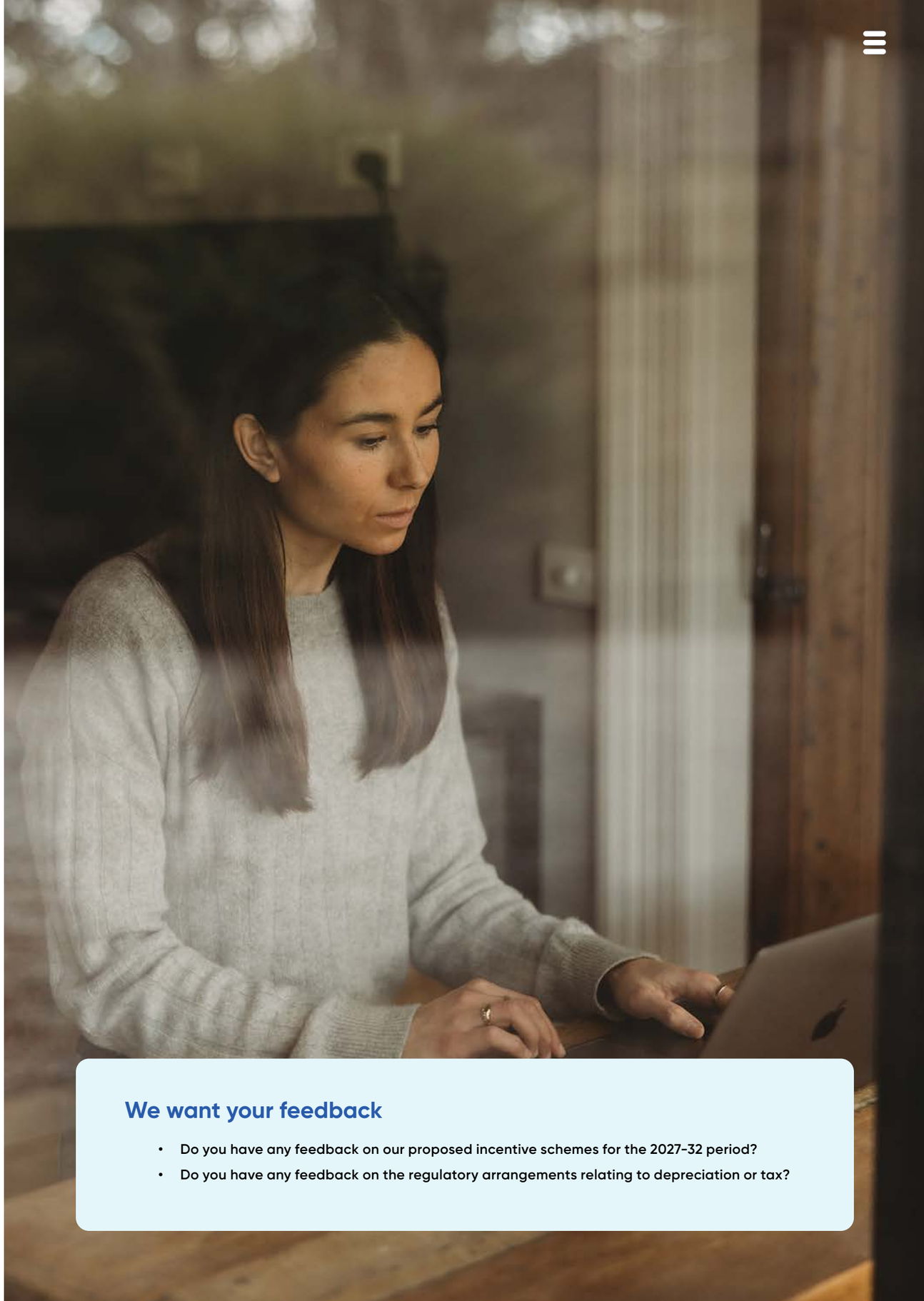
9.3 Depreciation

Depreciation – also known as the return of capital – represents the portion of capital investment that is recovered each year as network assets age and their remaining useful life decreases. While the return on capital reflects the interest paid on borrowed funds, the return of capital is like repaying the original investment (the principal).

Under the NER, assets must be depreciated over their economic life. This mechanism maintains fairness in annual network charges by aligning them with infrastructure usage costs. This approach not only promotes economic efficiency but also enables current and future customers to share costs fairly over time.

9.4 Tax allowance

As an Australian company, we must pay corporate tax on our profits. This tax expense is included in the total revenue calculated for the 2027-32 regulatory period. The tax allowance in this draft revenue proposal uses the AER's revenue modelling, a corporate tax rate of 30% and a value of imputation credits paid to investors of 0.585.



We want your feedback

- **Do you have any feedback on our proposed incentive schemes for the 2027-32 period?**
- **Do you have any feedback on the regulatory arrangements relating to depreciation or tax?**

Feedback

10 Feedback

Between now and the end of October 2025, we will actively consult on this draft proposal, consider the feedback jointly with the Stakeholder Advisory Panel and then finalise and submit the proposal to the AER by 31 October. These milestones are set out in Figure 30 below.

▼ Figure 30: Submission timetable and milestones

August 2025:
Active consultation on this draft proposal

↓

One-on-one engagement with stakeholders

↓

September 2025:
Assessment of feedback received

↓

Stakeholder Advisory Panel's assistance in reviewing feedback

↓

October 2025:
Further engagement with Stakeholder Advisory Panel

↓

Modifications to address feedback and latest available information

↓

By 31 October 2025:
Proposal submitted to the AER

Further refinements

We will continue to refine our forecasts before submission in October. We expect changes in the following areas:

- Incorporating feedback from the draft proposal.
- Incorporating results from our deliverability review.
- Updates to the final VTP.
- Updates to capex and opex forecasts based on new information from our internal quality assurance processes.

We want your feedback

We value your voice and opinions. Share your thoughts on our draft proposal and help shape the future of the transmission network by providing feedback through the following options:

Email

Email us at engagement@ausnetservices.com.au

Please make sure to clearly reference the page or section of this document that your feedback or comment refers to.

Community Hub

Complete our feedback form on Community Hub.

Public webinar and Q&A session

We will hold a webinar and Q&A session on Friday 15 August. You can attend this virtual session to share your feedback and ask questions in real time. Sign up for this session via this form on our Community Hub.

Write to us

Attn: Regulation Team, Re: TRR 2027-2032
Locked Bag 14051 Melbourne City Mail Centre
Melbourne VIC 8001

Want us to meet with your organisation or community? Email us at

engagement@ausnetservices.com.au

Consolidated list of questions

The question prompts, which are suggestions only and are intended to prompt discussion rather than limit feedback, are below. There is no expectation that you respond to any or all questions in your submission.

1. Have we properly reflected the impacts of VicGrid's and AEMO's augmentation plans in our plans to maintain the existing network? Are there any potential overlaps we have missed?
2. Have we taken the right approach to maintain reliability at today's levels – i.e. that a heightened risk of transmission system failure for near-term cost savings would not be in most Victorians' interests?
3. Have we been sufficiently transparent in our assessment of deliverability challenges?
4. Do you agree with our assessment of the deliverability challenges and ways to respond?
5. What is the most appropriate way to share deliverability risk with our customers?
6. We do not control many of the charges that make up the transmission component of customers' bills. Do you feel our approach to keeping bill impacts down – minimising discretionary spending to maintain similar levels of service – is the right approach?
7. Have we struck the right balance of costs and service levels, noting that removing or deferring projects would result in a decline in service levels? If not, what could we add or subtract from the 2027-32 work program to better meet customers' long-term interests?
8. Have we struck an appropriate balance between investing in landholder engagement and the financial impact on our customers? Are we focussing on the right areas for improvement?
9. Have we struck an appropriate balance between investing in network resilience and the financial impact on our customers?
10. Have we struck an appropriate balance between investing in community safety and the financial impact on our customers?
11. Do you have any feedback on our capital expenditure forecasts?
12. Is further information or analysis required on any aspects of our capital expenditure proposal?
13. Have we appropriately balanced reliability and affordability considerations, noting that our approach is based on the Value of Customer Reliability as recently estimated by the AER?
14. Do you have any feedback on components of our operating expenditure forecasts?
15. Are there any service performance issues or risk exposures where you think we should do more or less than outlined in this draft proposal?
16. Is further information or analysis required for you to better understand the costs of our operating expenditure proposal?
17. Do you have any feedback on our proposed incentive schemes for the 2027-32 period?
18. Do you have any feedback on the regulatory arrangements relating to depreciation or tax?

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