

Murraylink

Overview of the Draft 2028–2033 Revenue Proposal

16 October 2026

Energy Infrastructure Investments



Acknowledgement of Country

At Murraylink, we acknowledge the Traditional Owners and Custodians of the countries on which Murraylink operates.

We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present, and commit to ensuring Murraylink operates in a fair and ethical manner that respects First Nations peoples' rights and interests.

Contents

1. Executive summary 4
2. About Murraylink 4
Operating context 5
Current and emerging challenges for Murraylink 7
3. Key highlights for the 2023–28 period 8
Capital expenditure 8
Operating expenditure 8
Availability 9
4. Our Engagement 10
Our engagement approach 10
Assessment of our engagement program 11
Our engagement to date 11
What we heard and how we responded 13
5. Our 2028–33 plan on a page 17
6. Our proposed revenue 18
Estimated impacts of our draft Proposal on customers' retail bills 19
Regulatory Asset Base 20
New asset class 21
Changes to tax lives 21
7. Expenditure in detail 22
Capital expenditure 22
Operating Expenditure 23
8. Incentive schemes 27
Expenditure incentive schemes 27
Reliability incentive scheme 27
9. Cost pass throughs 28
New cost pass through events 28
10. Risks and benefits of our draft proposal 29
11. Glossary 30

About this document

We have prepared this overview of the draft Regulatory Proposal (**Draft Overview**) for the 1 July 2028 to 30 June 2033 (**2028–33**) regulatory period to solicit stakeholder feedback ahead of submitting our Regulatory Proposal to the Australian Energy Regulator (**AER**) in July this year.

All dollars reported are Real 30 June 2028 unless otherwise stated. Totals may not add due to rounding.

We welcome customer and stakeholder views on this Draft Overview.

Please share any feedback with us by emailing **yoursay@apa.com.au** by 5pm, 13 November 2026.

1. Executive summary

We have prepared this Draft Overview to support stakeholder engagement on Murraylink's 2028–33 Regulatory Proposal, ahead of its submission to the Australian Energy Regulator (**AER**) in December. It outlines our proposed revenue requirement and expenditure program for the period and explains how stakeholder feedback has informed the draft Proposal.

Murraylink is a high voltage (**HV**) direct current electricity transmission line that transports electricity between Victoria and South Australia, providing customers in both states with access to cheaper wholesale prices. Its HV direct current technology has provided valuable system strength, and control services have supported renewable energy development in north-west Victoria and the Berri region of South Australia for more than two decades.

Looking ahead to 2028–33, our priority is to keep Murraylink safe, reliable, and resilient, while carefully managing costs for customers. Although EnergyConnect will add significant new transfer capacity when it becomes fully operational in late 2026, Murraylink will continue to complement the broader transmission system. Its precisely controllable dispatch capability, voltage and system-strength support, and connections to the local networks at Red Cliffs and Monash will remain valuable, particularly during periods of high demand, low renewable generation and planned or unplanned outages elsewhere in the system.

Our draft proposal has been shaped by a fit-for-purpose stakeholder engagement program involving many stakeholders across a co-creation workshop and group meetings. Stakeholders identified risk sharing, reliability and affordability (costs and prices) as key priorities.

We are proposing an expenditure program that maintains reliability and safety, with modest increases to address enhanced critical infrastructure requirements and improvements to our asset management system.

Our Draft Overview includes the following key elements:

- Forecast smoothed revenue of $119 million for 2028–33. Whilst this is a 33% increase on the current period's allowance, due to a higher regulated asset base (**RAB**), higher interest rates and inflation and a return to a prudent and efficient level of operating expenditure, Murraylink continues to provide affordable services, representing around 0.20% of a typical residential electricity bill in South Australia and 0.07% in Victoria.
- Capital expenditure to mitigate threats to asset reliability, prevent equipment failure, and ensure adequate spares. Forecast capital expenditure for 2028–33 is $41 million higher than in 2023–28, mainly due to the inclusion of a $35 million project to upgrade the first phase of the insulated gate bipolar transistors (**IGBT**s) that are essential to maintain Murraylink's precise switching.
- A proposed new asset class, 'Valve Hall Equipment', with a 25-year standard asset life, to reflect the expected technical life of the soon to be replaced IGBTs.
- Minor adjustments to the tax life for two asset classes to align with the latest tax ruling from the Australian Taxation Office (**ATO**).
- Operating expenditure of $42 million, forecast using the AER's Base Trend Step model and aligned with recent actual expenditure. This includes a step change for software licensing costs and three category specific forecasts:
  - one for the usual cyclical maintenance
  - one to reflect negotiated increases to the commercial services charge, and
  - one for the expected costs of one forced abandoned maintenance event a year.
- Five new cost pass through events :
  - four of which reflect cost pass through events commonly adopted by gas and electricity networks, and
  - one to recover any costs that exceed the category specific operating expenditure forecast for abandoned planned maintenance outages, following an Australian Energy Market Operator (**AEMO**) direction.

We welcome feedback from customers and stakeholders on this Draft Overview, to assist in the finalisation of our 2028–33 Regulatory Proposal.

2. About Murraylink

Murraylink is owned by Energy Infrastructure Investments (**EII**). APA maintains the asset on behalf of EII. Murraylink is a 220 megawatt (**MW**) electricity transmission interconnector between Victoria and South Australia operating in the National Electricity Market. It is one of three HV direct current electricity transmission lines operating in the National Electricity Market – the others being Directlink (NSW–Queensland) and Basslink (Tasmania–Victoria). Murraylink is licenced in South Australia and exempt in Victoria.

Murraylink was commissioned in 2002, with the primary role of enabling the transfer of cheaper electricity between South Australia and Victoria.

Key facts and figures

Interconnector
for electricity to be sent between Victoria and South Australia

220 MW
of capacity to both Victoria and South Australia

176 km
single HV direct current transmission cable

1.2 m nominal depth
allows the cable to traverse sensitive environmental areas

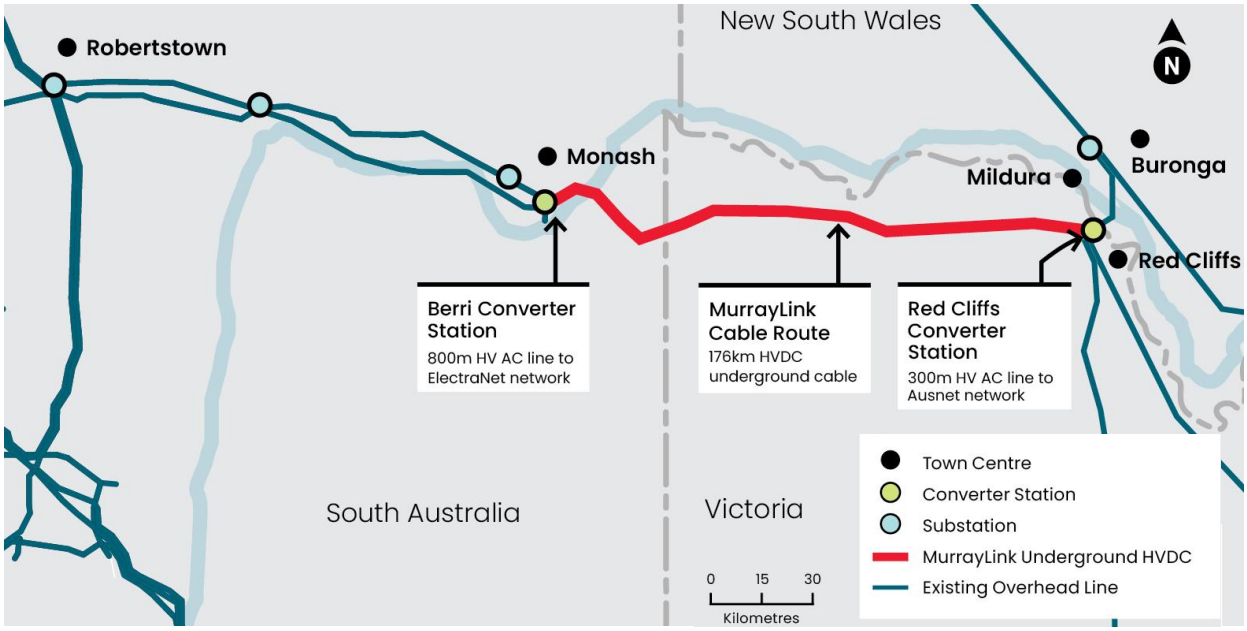
2 converter stations
at Red Cliffs (Victoria) and Berri (South Australia)

HV alternating current connections
to the AusNet network in Victoria and the ElectraNet network in South Australia

2002
commissioned using leading edge technology for the time

Owned by EII
MM Midstream Investments Pty Ltd (49.9%)
Osaka Gas Energy Oceania Pty Ltd (30.2%)
APA Group Limited (19.9%)

Murraylink cable route and the location of major assets in adjacent transmission networks



Operating context

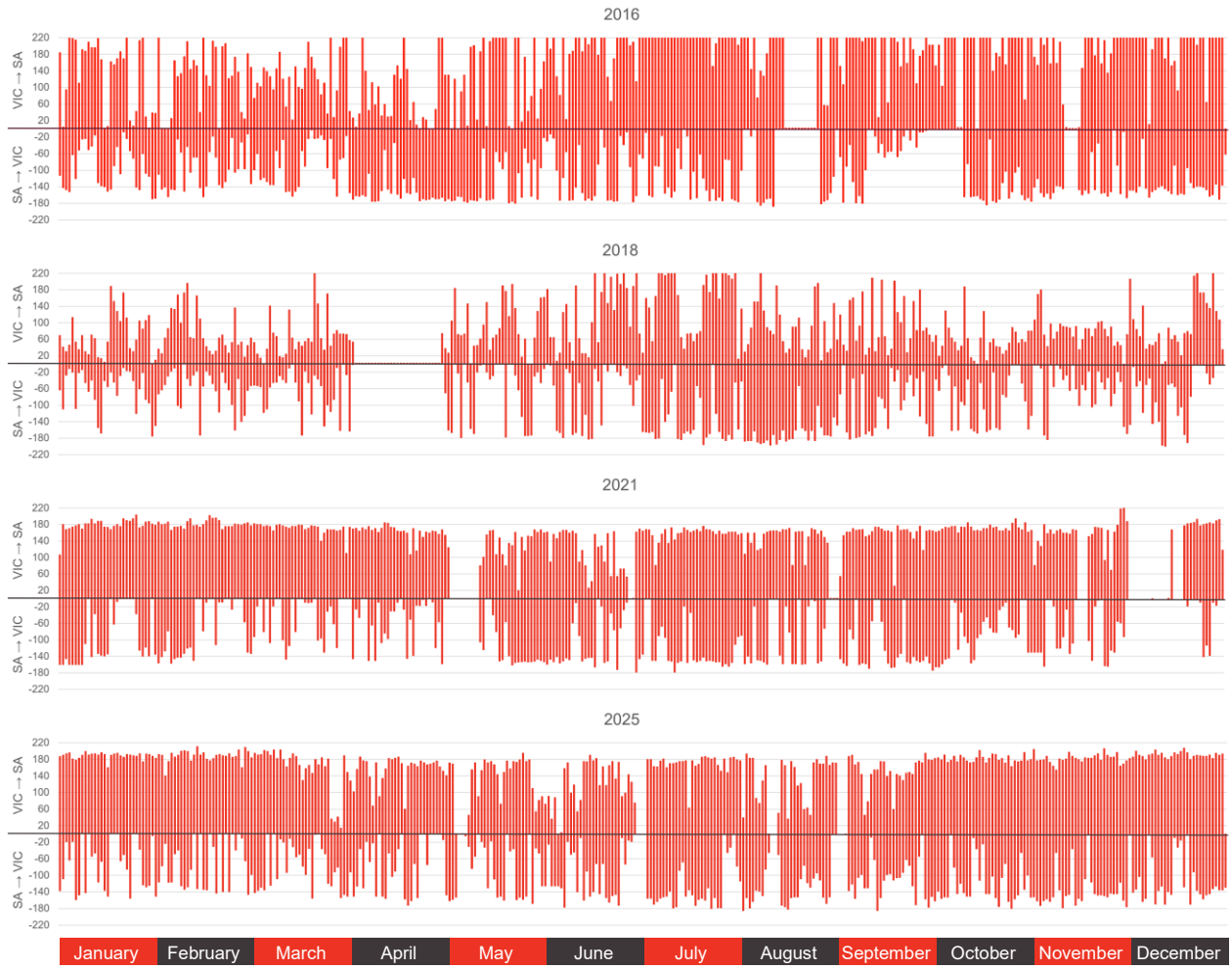
Valuable characteristics

Murraylink is dispatched by the AEMO and plays an important role in the energy transition through:

- **lowering costs for customers** by helping to reduce wholesale market volatility by moving cheaper energy to where it is needed.
- **enhancing system control** given its ability to accommodate precise energy transfers and isolate regions from fault currents and deviations in frequency.
- **supporting network strength** through:
  - synthetic inertia – an immediate automated response to release or absorb energy to slow frequency changes following a disturbance
  - fast frequency response – through the rapid injection or withdrawal of *active power* when supply and demand become unbalanced, avoiding tripping and blackouts, and
  - voltage support – Static Synchronous Compensator functionality injects or absorbs *reactive power* to maintain voltages within acceptable limits, preventing equipment damage and blackouts

The utilisation charts below highlight that Murraylink has become increasingly relied upon as the amount of renewable energy in the region has grown.

Snapshot of growing energy flows over the last decade (ignoring any AEMO limits that were in place)



Our strategic objective is to prudently and efficiently maintain Murraylink to ensure it remains safe, compliant and delivers maximum availability to realise long-term value for the community.

As a HV direct current network, Murraylink possesses characteristics that are not shared by other transmission networks.

The unique characteristics of HV direct current networks

Converter stations

Stations at Berri and Red Cliffs receive high voltage Alternating Current (**AC**) electricity, convert it into direct current electricity for transmission across the border, before converting it back to HVAC.

Granular flexibility

To be turned on or off, or to be scaled up or down –assists in stabilising the electricity grid.

No individual connection points

It is a point-to-point transmission network with no connected generation or load.

AEMO operation

The AEMO dispatches Murraylink at its discretion, within the physical constraints imposed by the AusNet and ElectraNet networks.

Interaction with EnergyConnect

Whilst Murraylink is the smaller of the interconnectors operating between Victoria and South Australia[1], it is expected to continue playing an important role even after the 800 MW EnergyConnect HVAC interconnector[2] becomes fully operational in late 2026.

Murraylink's value beyond EnergyConnect

On-going voltage and system strength support

- Static Synchronous Compensator functionality improves voltage resilience at Red Cliffs and Monash.
- Active control of flows parallel to EnergyConnect and Heywood will reduce congestion.
- Non-synchronous system strength source in one of the weakest areas of the market.
- Dispatchability will help balance active power flows between South Australia, Victoria and NSW.

Precise and optimised dispatch

- Murraylink's precise dispatch is superior to the phase-shifting transformers used on EnergyConnect.
- Dispatch of Murraylink and EnergyConnect will be optimised in combination with bids from local generation and storage.
- As variable renewable energy increases, Murraylink will play a role in sharing firm generation and surplus resources.

Reliable supply of electricity for consumers

- Improves market capability to provide consumers with electricity during planned and unplanned network outages.
- Supports outage windows for other critical market assets, including Heywood and EnergyConnect.
- Supports peak demand, particularly when renewable generation is low and during network or generator outages.
- Underground design improves system resilience to extreme weather events and bushfires.

Whilst an initial drop in Murraylink's utilisation is expected, once EnergyConnect becomes fully operational, utilisation is expected to progressively improve as additional renewable energy is added to the grid.

[1] Heywood, with 650MW of capacity, and EnergyConnect with 800 MW of capacity are the others – noting that Energy Connect has been constructed and energised, but the full 800 MW interconnector service is still undergoing commissioning and AEMO testing. Full operation is expected by the end of 2026.

[2] EnergyConnect will run from Wagga Wagga in NSW through to Robertstown in South Australia, with a spur to Red Cliffs in Victoria

Current and emerging challenges for Murraylink

Several emerging and future challenges were discussed as part of our engagement program. Our draft Proposal seeks to address these challenges.



Energy transition –Increasing electrification to meet emissions reduction objectives will place extra demand on the energy system. Even with expected increases in battery storage, Murraylink will still play a key role in stabilising the grid and supporting additional sources of renewable energy.



Climate change, environment and resilience – Murraylink's design means that it is relatively resilient to extreme weather events however there are some elements that require improvement. Our proposal includes investment to increase the temperature range at which converter station equipment can operate.



Vulnerability to supply chain issues – Murraylink is vulnerable to supply chain issues for some key components. There are costs and risks in breaking away from proprietary technology and increasing competition for manufacturing slots has increased lead times. We work closely with operating equipment manufacturers to ensure we have access to components.



Labour and skills shortages – Like other energy companies, Murraylink faces competition for limited resources. However, day-to-day operation and maintenance is undertaken by a dedicated, long-standing team of staff, we have access to APA's resourcing depth where required and our strong relationship with the key operating equipment manufacturer is underpinned by a long-term contract with on-going support.



Technology obsolescence – Spare parts are increasingly being retired due to emerging technologies and supply chain closure. We continue to manage obsolescence by working with the manufacturer to gain visibility of the supply chain, 'locking in' supplies where possible and stocking additional spares where it makes sense.



Managing risk – We effectively manage risk by making good, risk informed decisions, that gives us confidence to deliver on our business strategy and plans. This includes considering our commitments to our investors, our staff, our customers and other stakeholders.



Affordability – We remain focused on affordability and will continue to look for opportunities to limit our proposed expenditure where possible. This includes reconsidering our spares sourcing – seeking suitable alternatives and refurbishment where possible and replacing smaller, more readily available parts to prolong access to larger, rarer spares.

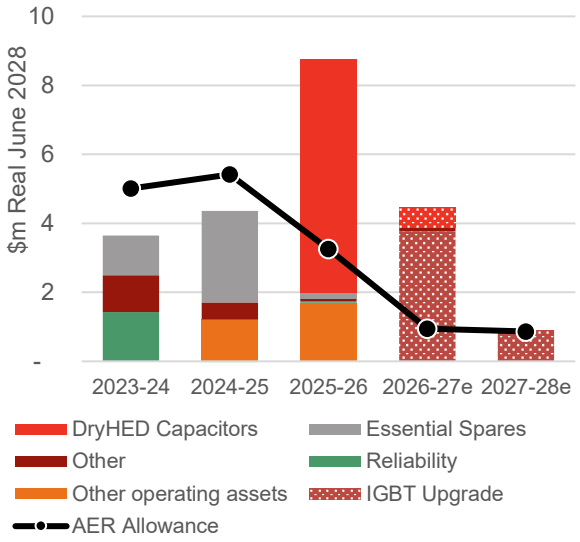
3. Key highlights for the 2023–28 period

Capital expenditure

Murraylink is expecting to invest $24.8 million, $9.3 million more than the AER allowance of $15.5 million for the period. This is mainly due to:

- The unexpected failure and resulting $7.4 million replacement of the Dry High Energy Discharge (**HED**) capacitors that smooth voltage ripples and filter dangerous high-frequency harmonics.
- Increasing obsolescence risk driving the need to begin a project to upgrade the Insulated Gate Bipolar Transistors (**IGBTs**) earlier than expected – we expect to spend $5.1 million on this project in the current period.

Actual and estimated capital expenditure

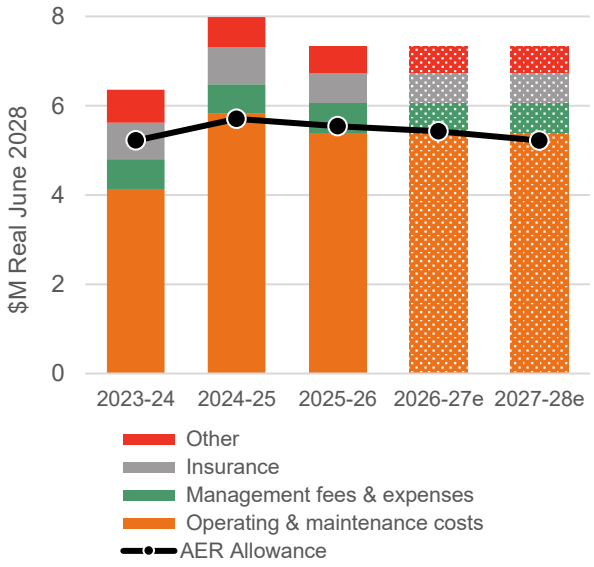


Operating expenditure

The current period's operating expenditure forecast was set off a base year that was too low. As a result, we expect to spend $10.8 million more than the AER allowance of $26.5 million over the period due to:

- A higher than expected Operating & maintenance charge
- Increases of about 20% in Insurance costs, and
- A marginal fall in Management fees & expenses, though this has been offset by increases in Other costs

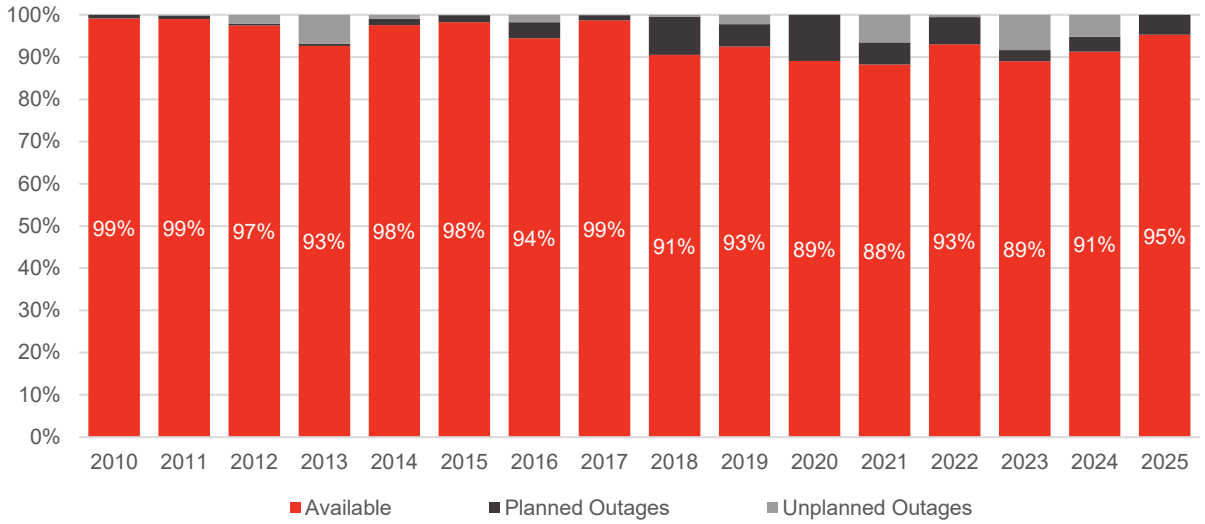
Actual and estimated operating expenditure



Availability

Murraylink's availability over the 2023–28 period has remained broadly consistent with recent historical performable. Given the asset's 24 year age, planned outages to replace key components that have reached the end of their technical life continue to be an important part of maintaining reliability and safety. Unplanned outages were also experienced due to cable faults and the unexpected explosion of a DryHED capacitor.

Murraylink's annual availability




Berri converter station

4. Our Engagement

The following pages provide a high-level summary of our engagement program and outcomes. A more fulsome description and summary can be found in the Draft Engagement Summary Report that accompanies our Draft Overview.

Our engagement approach

To ensure our engagement program meets the priorities of our stakeholders, we invited over 30 individual stakeholders from more than 24 different organisations to participate in a Co-creation workshop in September 2025.

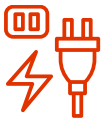
The agreed engagement objectives following the workshop are to deliver a revenue proposal that:



'Brings the outside in' by directly responding to the needs and preferences of our customers and other key stakeholders and is capable of acceptance.



Provides sustainable returns for shareholders and investors.



Efficiently delivers an affordable, reliable, safe and secure supply of electricity.



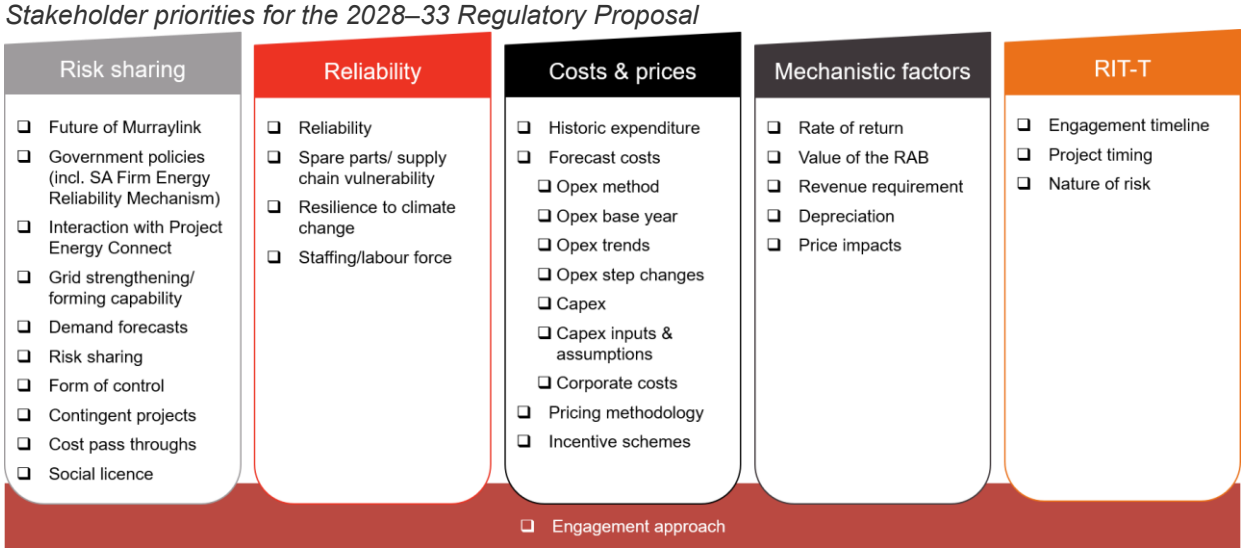
Supports the energy transition.

Stakeholders supported the establishment of a Stakeholder Group to assist us in developing the 2028–33 Regulatory Proposal. Up to 13 different organisations participated in the engagement program, representing a cross-section of energy users, councils, networks, renewable generators and other energy supply chain participants. The primary role of the group is to provide independent feedback and challenge to ensure the Regulatory Proposal appropriately addresses the needs and preferences of customers.

In line with stakeholder guidance, our engagement approach has been flexible, and the engagement plan has been altered as required throughout the process.

Stakeholders' priorities were grouped into themes and topics and combined with the requirements of the AER's Better Resets Handbook to form a checklist for the engagement program.

Stakeholder priorities for the 2028–33 Regulatory Proposal



Assessment of our engagement program

The Stakeholder Group agreed that completing a survey aligned with the requirements of the AER's Better Resets Handbook, was preferable to writing a stakeholder report. The survey opened at the time this draft Proposal Overview was published, and a summary of the survey results will be included in our Regulatory Proposal when it is submitted to the AER at the end of January 2027.

To ensure the survey results and the associated summary report are sufficiently comprehensive and robust:

- The survey questions were agreed with the Stakeholder Group and comment boxes included to capture qualitative insights
- Meetings will be held after the survey closes to provide stakeholders the opportunity to share any additional explanations or commentary and for APA to gather additional qualitative data and context to inform a summary write-up of the stakeholder survey results, and
- Our Summary Report of the stakeholder survey results will be shared with the group for comments and feedback before being included in the documents lodged with the AER as part of the Regulatory Proposal.

Our engagement to date

To date we have held a Co-creation workshop and five stakeholder meetings with the group. We are meeting for another meeting in November, to gather their feedback on the draft Proposal Overview and Engagement Summary Report. We will also reconnect with stakeholders following the AER's Draft Decision if it raises major issues that warrant further discussion.

A timeline of our stakeholder engagement interactions to date follows.

Timeline of stakeholder interactions and topics discussed to date

11 September 2025	Co-creation workshop	– Overview of Murraylink – Identification of core issues and priorities – Agree evaluation and feedback loops
23 October 2025	Shared output from the co-creation workshop and a draft Engagement Plan	
11 November 2025	Stakeholder meeting 1	– Confirm engagement approach and plan – Overview of the regulatory framework, including the Framework & Approach, and the policy and operating context for Murraylink – Performance over the current period and future challenges and opportunities – AEMO presentation on the future of Murraylink
19 November 2025	Shared revised Engagement Plan incorporating feedback from meeting 1	
19 March 2026	Stakeholder meeting 2	– Continued discussion on the future of Murraylink – Overview of the building block approach – Explanation of incentive schemes – Explanation of and intended expansion of cost pass through events – Cost allocation and form of control – Risk sharing – depreciation
27 May 2026	Stakeholder meeting 3	– Management of costs and supply chain issues – Why demand forecasts are not necessary – Composition of operating expenditure, recent performance and introduction to the Base Trend Step approach for forecasting – Update on system strength discussions with ElectraNet and AusNet – Proposed capital expenditure reopener and engagement approach – RIT-T update and engagement approach
11 August 2026	Stakeholder meeting 4	– Expenditure governance – Update on the capital expenditure reopener – Indicative incentive scheme outcomes – Deep dive into proposed capital expenditure and first look at costs – Abandoned outage cost impacts – First look at operating expenditure, the opening and closing regulated asset base (**RAB**) and the indicative revenue requirement and price impacts
17 September 2026	Stakeholder meeting 5	– Update on the RIT-T and capital expenditure reopener – Proposed new asset class “Valve Hall Equipment” – Expected impacts of Minimum System Load events and approaches for recovering associated abandoned outage costs – Explanation of the Efficiency Benefit Sharing Scheme – Updates to expenditure, the revenue requirement and price impacts – Review of the stakeholder survey questions
5 November 2026	Stakeholder meeting 6	– Feedback on the Draft Overview documents – Changes since the Draft Overview was published
To be determined		

What we heard and how we responded

We focused our engagement on key issues, where stakeholders can have the greatest impact on the Proposal, and where their opinion would genuinely influence and guide the final outcomes. The table below is a high level summary of the key themes and topics raised by stakeholders. A more fulsome description can be found in the *Draft Engagement Summary Report* that accompanies this Draft Overview.

Priority	What we heard	How we responded
Risk sharing	**Future of Murraylink** Stakeholders were keen to understand how Murraylink has been used and whether flows have changed over time. On the whole, there was consensus that Murraylink has a role for the foreseeable future with some stakeholders believing its utilisation when EnergyConnect becomes operational will determine its future relevance.	We shared average annual flows and detailed utilisation data across the last decade. This indicated the asset was regularly utilised in both directions to much of its capacity and that it's utilisation has grown as renewable energy has increased in the region.
	Cost pass throughs Stakeholders had no concerns with the inclusion of the four new cost pass through events commonly proposed by other networks – Terrorism event, Insurer Credit Risk Event, Insurance Coverage Event and Natural Disaster Event. We shared our intention to use both an operating expenditure category specific forecast and a new cost pass through event for abandoned outages arising from an AEMO direction and that any such costs be excluded from the EBSS. Stakeholders did not propose alternative recovery mechanisms and agreed the risk sharing approach seemed reasonable.	We have since included “epidemics” in the list of potential natural disaster event examples, to clarify that impacts on expenditure, not just asset losses, may fall within the event scope. This aligns with our Proposal for the Roma Brisbane Pipeline that is currently awaiting the AER’s draft decision. To ensure that customers pay only for actual costs incurred, we would prefer that all forced abandoned maintenance costs be recovered via a cost pass through. However, we have maintained the proposed two-step approach to reduce Murraylink’s exposure to potential unrecouped costs if the AER assesses the nominated cost pass through event against a materiality threshold. We look forward to engaging with the AER as to the most appropriate method for recovering these potential costs.
	Asset lives (accelerated depreciation) One stakeholder believes Murraylink has a very long life, as it will remain important through the energy transition. Another thought Murraylink's relevance should be retested for the following regulatory period (following the commissioning of EnergyConnect) and there is a strong case for aligning the lives of new components to the lives of the core components, rather than depreciating them over longer nominal lives.	We prepared and presented the revenue impact of aligning all new expenditure for assets with a life greater than the Cable class to the life of the Cable class i.e. 2042. This indicated the 2028–33 revenue requirement would increase by about 15%. In response to concerns regarding asset lives and the potential for stranded costs, we shared our Proposal to create a new “Valve Hall Equipment” asset class with a 25 year life to accommodate the IGBTs, rather than put them in the 30 year asset life class.
	After we shared our proposed new “Valve Hall Equipment” asset class and the revenue impact of aligning all new expenditure to the life of the cable class, stakeholders supported maintaining the existing and proposed asset classes and lives.	Our Draft Overview includes a new 25 year asset class – “Valve Hall Equipment’ and maintains all other existing asset classes and standard lives.
	Form of control Other than clarifying why true ups occur, stakeholders were comfortable with the continued application of the revenue cap form of control.	We explained that true-ups occur as placeholder data (such as for the cost of debt) is required to be shared with the State transmission companies at the time they set their tariffs. Once actual values are known, a true up reconciles the difference between estimated and actual allowed revenue.

Priority	What we heard	How we responded
Risk sharing continued 	**Incentive schemes** Stakeholders supported the continued application of the Efficiency Benefit Sharing Scheme (**EBSS**), the Capital Expenditure Sharing Scheme (**CESS**) and the Service Target Performance Incentive Scheme (**STPIS**) to Murraylink for the 2028–33 regulatory period. They had no questions or concerns with the current or proposed STPIS application or EBSS outcome.	We shared that Version 6 of the STPIS currently applies to Murraylink and that the AER will apply Version 7 when it is developed.
	When discussing the potential exclusion of the DryHED capacitors from the CESS, one stakeholder indicated they do not support CESS exclusions in principle as this shifts risk from the network to consumers, who have no ability to manage that risk.	We agree the CESS should promote budget discipline for foreseeable projects. However, the Dry-HED capacitor failures at Murraylink and overseas were not foreseeable after more than 20 years of reliable operation. The project is therefore unavoidable and outside the intended scope of the CESS. Including it in the CESS would also defer other consumer-benefiting projects. Even if excluded, Murraylink will still incur a CESS penalty, as the scheme disproportionately affects small networks and particularly HV direct current interconnectors – as projects generally cover specific asset components rather than routine replacements, meaning there is limited flexibility to reallocate funding when unexpected events occur.
	A stakeholder queried what the CESS outcome would be if the reopener application is successful.	We subsequently presented the CESS bookends – the result assuming the capex reopener is not approved, which is what is used in the draft Proposal, and the result if the $7.5 million capex reopener is approved but additional planned reliability projects are not undertaken. We indicated the result will sit somewhere in this range.
Reliability 	**Spare parts/ supply chain vulnerabilities** Stakeholders were interested to know whether Murraylink benefits from economies of scale through APA or through partnering with others in the industry and whether government-led initiatives could facilitate Australian led manufacturing.	We explained that APA leverages scale across its interconnector portfolio and participates in international industry working groups to improve foresight and supplier engagement. Given the highly specialised and bespoke nature of HV direct current technology and Australia's small market size, it would not be economically feasible to establishing manufacturing capability in Australia.
	A stakeholder queried whether supply constraints and supplier market power increase as the asset ages, and whether there will be a point where investing in new technology is no longer justified given Murraylink's remaining asset life.	We explained that all technologies eventually become obsolete and must be replaced to maintain operability and reduce reliance on unsupported equipment. Both like-for-like replacements and newer technologies are considered when assets reach end-of-life.
	Staffing / labour force Despite Murraylink's strong staff retention rate and employment offering, stakeholders thought it important to monitor labour market pressures.	We acknowledged this risk and confirmed that we continue to monitor and manage potential labour force impacts.
Costs and prices 	**Corporate overheads** A stakeholder asked whether shared APA overheads are applied to Murraylink using the AER agreed cost allocation methodology.	We explained that certain shared costs, such as insurance and commercial management fees, are allocated under an EII cost allocation methodology. Other shared APA corporate costs are recovered through the commercial services charge, not via an AER approved cost allocation methodology.

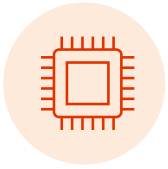
Priority	What we heard	How we responded
Costs and prices continued 	**Expenditure governance** A stakeholder was interested in knowing more about on-time and on budget project tracking, cost accuracy at the time of final investment decision and whether APA uses post-investment reviews (**PIR**s) and whether any had recently been undertaken for Murraylink.	We explained that project cost and timeliness are assessed at project completion. As Murraylink plans outages well in advance with AEMO, projects typically remain within budget. Variations are driven by unplanned events or shifts in project timing. Stakeholders agreed that overspends and timeliness are not significant issues for Murraylink. We also confirmed that the Class 2 final investment decision requirement is standard across APA's east coast gas and electricity transmission businesses, and that PIRs are used to assess delivery outcomes and capture lessons learned.
	Cost allocation Other than clarifying whether Murraylink's cost allocation could be altered by the state governments and if the charges included any usage-based element, stakeholders were comfortable with the 55:45 split between Victoria and South Australia.	We confirmed that the state governments could agree to a different split and that a volumetric charge would not be workable for an interconnector because of the variation in utilisation and the direction of flows (which are outside Murraylink's control as power flows are determined and dispatched by AEMO).
	Operating expenditure In presenting the Base Trend Step outcome we shared that 2024–25 included atypical costs and proposed using 2025–26 as the base year, which stakeholders supported as being preferable to an adjusted base year. Stakeholders asked whether Murraylink was applying the full Base Trend Step methodology, why no productivity adjustment was proposed, and whether wage pressures and emerging demand drivers such as data centres had been considered in the forecast.	We confirmed that we are applying the full Base Trend Step methodology. We have not included a productivity adjustment as the asset's scale and largely fixed maintenance requirements provide limited scope for ongoing productivity gains. We explained that labour cost escalation has been included in line with the AER's methodology, and whilst data centres may affect power flows and utilisation, they are not expected to materially increase Murraylink's operating costs.
	During discussion of potential costs arising from minimum system load (**MSL**) events, Stakeholders asked where Murraylink sits in AEMO's management of MSL events, whether any resulting costs should be allocated to the benefiting state, and why such costs could not be recovered through AEMO charges.	We shared that following the issue of market notices, recalling network outages sits very high in AEMO's likely order of actions. We have not identified a regulatory mechanism to allow cost recovery through AEMO charges, nor for cost recovery from the customers in the State giving rise to the MSL issue.
	Capital expenditure For both the Proposal and Revised Proposal, a stakeholder suggested disclosing project forecast accuracy ranges and clearly identifying expenditure that spans multiple regulatory periods.	We intend to disclose forecast accuracy ranges for individual projects in both the Proposal and Revised Proposal and make it clear where major project expenditure spans more than one regulatory period.
	Capital expenditure reopener Stakeholders queried potential warranty and maintenance risks from using an alternative Dry-HED supplier, the accuracy of the proposed $7.5 million cost estimate, and whether the depreciation life aligns with the capacitors' technical life. A stakeholder also suggested the reopener application clearly outline the consequences and associated risks if the project is not approved.	We advised that the replacement components have been extensively tested, carry their own warranty, and that phase 1 of the order is operational, with the remaining units in transit. The cost estimate is largely based on vendor quotations, and the capacitors must be added to an existing asset class – 'Ancillary asset – 30 year'. We are in the process of building stakeholder suggestions into the reopener application.

Priority	What we heard	How we responded
Mechanistic factors	**Price impacts** Stakeholders suggested bill impacts for both residential and small business customers be provided, that we clarify exactly what the bill impacts are being compared to and that we align consumption assumptions with the default offers in both States to make comparisons easier.	We have presented bill impacts for both residential and small business customers, clarified the bill impacts presented and aligned with the customer assumptions underlying the default offers in both States.
	Regulatory depreciation and revenue requirement Stakeholders raised no questions, issues or concerns with the indicative depreciation and revenue requirement.	N/A
	Regulated asset base Stakeholder raised no questions, comments or challenges in relation to either the indicative opening or closing regulated asset base.	N/A
RIT-T for the IGBTs	Stakeholders supported additional meetings for the RIT-T engagement and thought a consolidated engagement timeline showing both the regulatory proposal and RIT-T would be helpful.	We have held one RIT-T engagement session to date (5 June 2026) and shared a consolidated engagement timeline – noting the expected RIT-T dates have been deferred as the application has yet to be submitted.



5. Our 2028–33 plan on a page

We propose the following programs to deliver on the priority issues highlighted by stakeholders.



Upgrade one phase of IGBTs at one converter station

$35.2m

To ensure Murraylink continues to safely and reliably deliver electricity, we will upgrade one phase (972 IGBTs) of the 5,832 obsolete IGBTs in operation. This will release additional spares for use across the other five Murraylink phases and appropriately balances affordability for customers with obsolescence risk. The final cost and phasing of this project is currently being negotiated and will be reflected in our December Proposal to the AER.

The total expected cost of this project is $40.3 million of which $35.2 million will take place in the 2028–33 period.



Mitigate high risk threats to asset reliability

$16.0m

To ensure ongoing operational capability, we intend to spend $3.6 million replacing existing circuit breakers and procuring a new spare of each type and voltage level, $4.6 million replacing 24 transformer bushings and refurbishing the 8 wall bushings on site, $0.8 million replacing all filter capacitors and filter banks, $5.0 million replacing voltage and current measuring devices that have reached end-of-life or are facing obsolescence risk and $2.0 million upgrading the cooling equipment that has reached the end of its design life.



Sub-component and obsolete / end-of-life sparing

$4.4m

To ensure ongoing safety, reliability and compliance we will spend $0.5 million replacing failing cable protection relays, $0.2 million on fibre optics and converter transformer maintenance and $1.6 million to maintain cooling given existing equipment will reach the end of its expected design life in 2031. Also included is a $0.4m per annum allowance for minor capital expenditure projects that are difficult to forecast due to their individual value less than $100,000.



Building and Site Infrastructure

$4.2m

We will spend $1.4 million improving physical security at the converter stations, $1.2 million on flood mitigation works at the Red Cliffs converter station to mitigate potential asset damage and the likelihood of an extended outage and to comply with insurer requirements, $0.6 million on LED lighting upgrades and improved access to the roof of the converter stations, $0.8 million installing a permanent water supply connection to provide a reliable and continuous source of water for the fire water storage system and replacing the early smoke detection systems in line with the manufacturer's recommendation and $0.1 million on cable storage.



Uplift asset management systems

$2.4m

We will implement asset intelligence capability to help manage asset health and optimise asset operation, as well as a downtime management system to capture relevant data and automatically notify AEMO of faults and asset downtime. We will also fully integrate and embed Murraylink into APA's asset information architectural strategy.



Sustain operations and meet cyber security requirements

$2.1m

We will spend $1.2 million upgrading the SCADA Human Machine Interface platform that is nearing end-of-life and $0.8 million replacing existing SCADA network switches, providing some network segmentation and communications redundancy and deploying an integrated monitoring platform to support Security of Critical Infrastructure compliance.



Essential spares to maintain reliability

$1.8m

To ensure the availability of spare parts for any failed equipment, we will invest $1.1 million in direct current and low voltage capacitors spares to manage end-of-life and lead time concerns and $0.7 million securing spares for other capacitors and resistors.

6. Our proposed revenue

Our draft total proposed smoothed revenue for 2028–33 is $118.7 million – $29.2 million (33%) higher than the allowed revenue of $89.0 million in the current regulatory period.

$48.4m

Return on capital

We have used the AER's draft 2026 Rate of Return Instrument. Based on the available data, the estimated nominal weighted average cost of capital for 2028–29 is 6.61%.

$32.1m

Regulatory depreciation

Regulatory depreciation (return of capital) recovers a share of the outstanding cost of previous investments made to ensure ongoing reliable operation of the network.

$41.8m

Operating expenditure

Operating activities are focused on delivering safety, security and reliability. We have adopted the AER's preferred 'Base, Trend, Step' method for forecasting operating expenditure.

$4.1m

Revenue adjustments

Account for penalties and rewards earned though incentive arrangements.

$ –

Net tax allowance

Based on forecast revenue, operating expenditure tax depreciation and tax rates using the AER's Depreciation Tracking Module.

$0.4m

Revenue smoothing

Adjustment to smooth prices within the period and reduce price volatility in the following regulatory period.

$118.7m

Smoothed maximum allowed revenue (2028–33)

The forecast revenue proposed to be earned by Murraylink for the period

Draft revenue requirement by year

$m Real June 2028	2028–29	2029–30	2030–31	2031–32	2032–33	Total
Return on capital	7.7	9.2	10.7	10.6	10.3	**48.4**
Regulatory depreciation	4.8	5.9	6.7	7.2	7.4	**32.1**
Operating expenditure	8.4	8.1	8.3	8.6	8.4	**41.8**
Revenue adjustments	-2.1	-1.5	0.4	-0.6	-0.3	**-4.1**
Net tax allowance	-	-	-	-	-	**-**
Unsmoothed revenue requirement	18.8	21.7	26.1	25.9	25.8	**118.2**
Smoothing	0.0	-0.7	-2.6	0.3	3.5	**0.4**
Smoothed revenue requirement	**18.8**	**21.0**	**23.5**	**26.2**	**29.2**	**118.7**
X factors	4.13%	-11.65%	-11.65%	-11.65%	-11.65%	n/a

Compared to the 2023–28 period, revenue for the 2028–33 period is proposed to increase by $29.6 million, the key drivers of which are:

Higher return on capital

$12.4m

driven by an increased RAB and higher interest rates

Higher regulatory depreciation

$7.3m

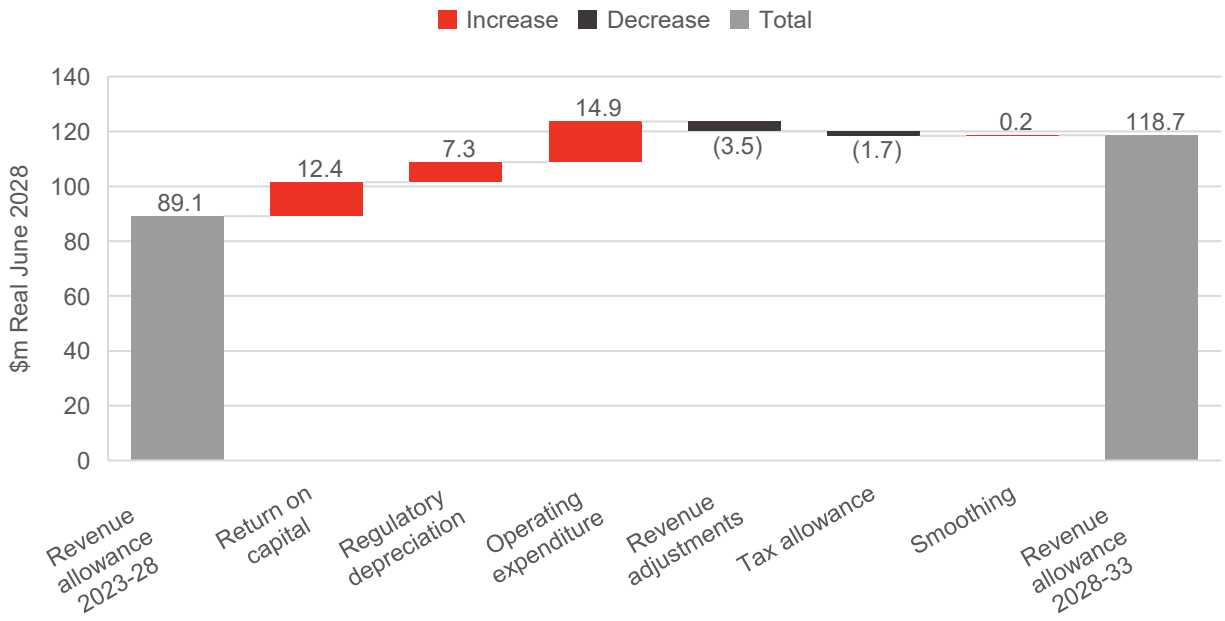
driven by an increased RAB and higher inflation

Higher operating expenditure

$14.9m

driven by a prudent and efficient operating cost forecast

Drivers of the change in revenue between 2023–28 and 2028–33



Estimated impacts of our draft Proposal on customers' retail bills

Murraylink's revenue requirement is recovered from Victorian and South Australian consumers based on the geographic allocation of the physical location and value of assets. This allocation has applied since Murraylink became a regulated asset and results in Victorian consumers paying 55% and South Australian consumers 45%.

$ Real June 2028	Victorian customers		South Australian customers	
	Residential[3]	Small business[3]	Residential[3]	Small business[3]
Average annual increase attributable to Murraylink over the 2028–33 period	$0.12	$0.31	$0.38	$0.96
Increase in the Murraylink portion of a retail bill in 2032–33 compared to the final year of the current regulatory period (2027–28)	$0.61	$1.53	$1.91	$4.79
	+72%		+72%	

[3] Assuming annual usage of 4,000 kWh for a residential customer and 10,000 kWh for a small business customer

Regulatory Asset Base

Our forecast opening Regulatory Asset Base (RAB) on 1 July 2028 is $125.0 million.

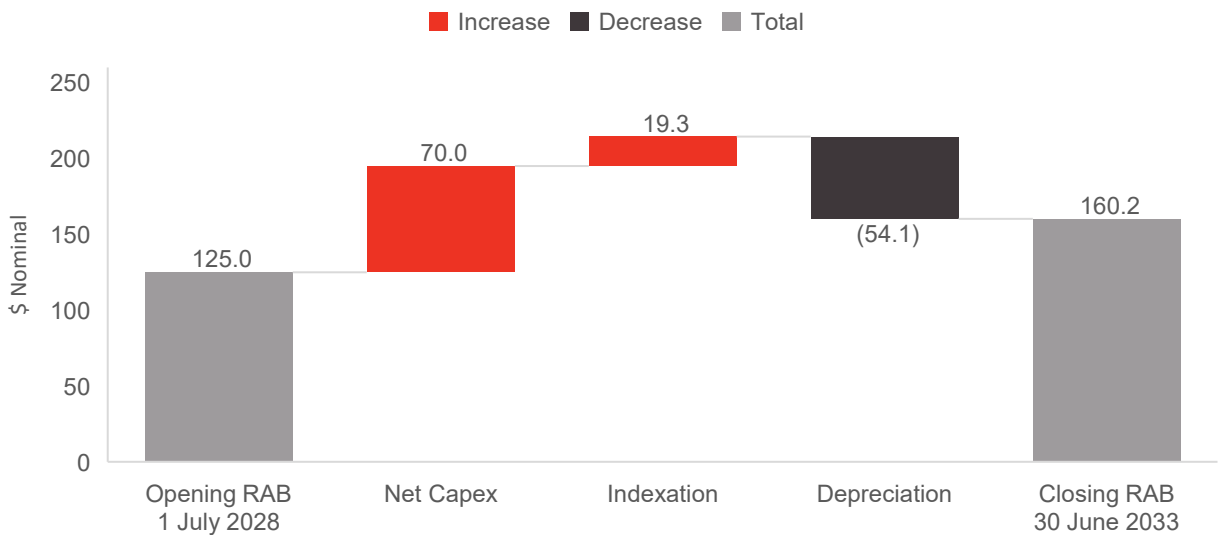
Forecast opening RAB (partially as incurred) 1 July 2028 – new asset class and changes to proposed tax lives highlighted

Asset class	1 July 2028 $m nominal	Average remaining life (years)	Standard life (years)	Current tax life (years)	Proposed (change to) tax life (years)
Switchyard	59.5	17.6	40	40	
Transmission Cable	32.5	15.3	40	40	**47.5**
Easements	8.0	n/a	n/a	n/a	
Control Systems	19.7	6.6	15	15	**12.5**
Ancillary asset - 30 Years	0.8	19.0	30	30	
Ancillary asset - 7 Years	–0.0	5.0	7	7	
Other operating assets	5.0	3.9	5	5	
Non ancillary asset	–0.6	3.0	3	3	
Valve Hall Equipment	**–**	**25**	**25**	**n/a**	**40**
Buildings – capital works	0.1	39	40	40	
Total	**125.0**				

Forecast closing Regulatory Asset Base

At this stage, the RAB is expected to grow by $34.9 million ($ nominal) to $160.2 million ($ nominal) over the 2028–33 period, driven by the level of capital expenditure and higher inflation rates.

Forecast RAB growth over the 2028–33 period in nominal dollars



New asset class

We are proposing a new asset class, 'Valve Hall Equipment, to capture costs associated with the IGBT upgrade program. Based on observed asset performance, we are proposing a 25-year standard life and a 40 year tax life, based on the latest ATO ruling, for the new asset class.

The IGBTs do not easily fit into the other existing asset classes, hence the proposal for a new asset class

We assume the historical costs for these assets are captured in the Switchyard class, but this is not an appropriate class. We are not proposing to attempt extracting the historical costs for these programs and add them to the new Valve Hall Equipment asset class.

Other than clarifying which class the existing IGBTs are captured in, one stakeholder openly supported the proposal whilst others raised no issues or concerns with the new asset class.

Changes to tax lives

We are proposing to alter the tax lives for the 'Transmission Cable' and 'Control Systems' asset classes to align with the latest ATO ruling. This will increase the 'Transmission Cable' tax life from 40 to 47 years and reduce the 'Control Systems' tax life from 15 years to 12.5 years. This change has no impact on the revenue requirement for the 2028–33 period.



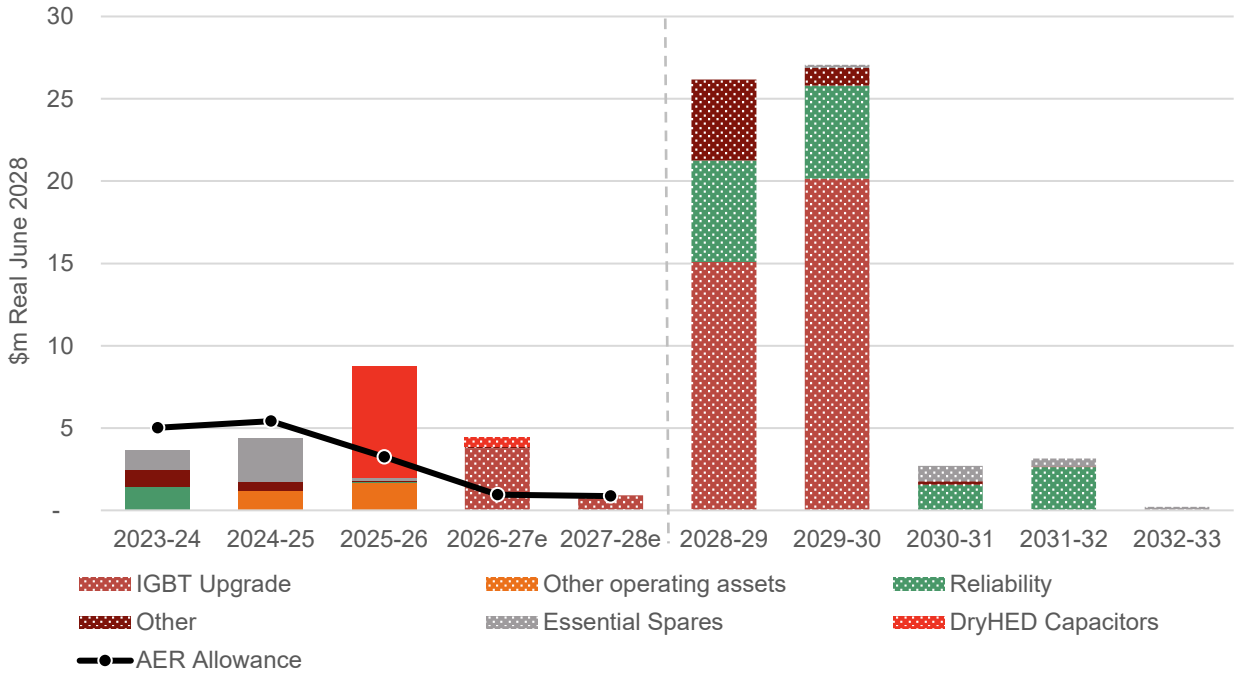
Red Cliffs converter station

7. Expenditure in detail

Capital expenditure

Our proposed capital expenditure is expected to total $66.2 million in the 2028–33 regulatory period, of which almost half is for the IGBT upgrade. This is $41.4 million more than actual capital expenditure in the 2023–27 period.

Comparison of capital expenditure between the 2023–28 and 2028–33 periods



Our 2028–33 plan on a page summarises our proposed capital expenditure program. As noted above, the largest element of the proposed capital expenditure is the IGBT upgrade program, representing 53% of total capital expenditure.

Forecast Capital Expenditure as incurred – by major expenditure program

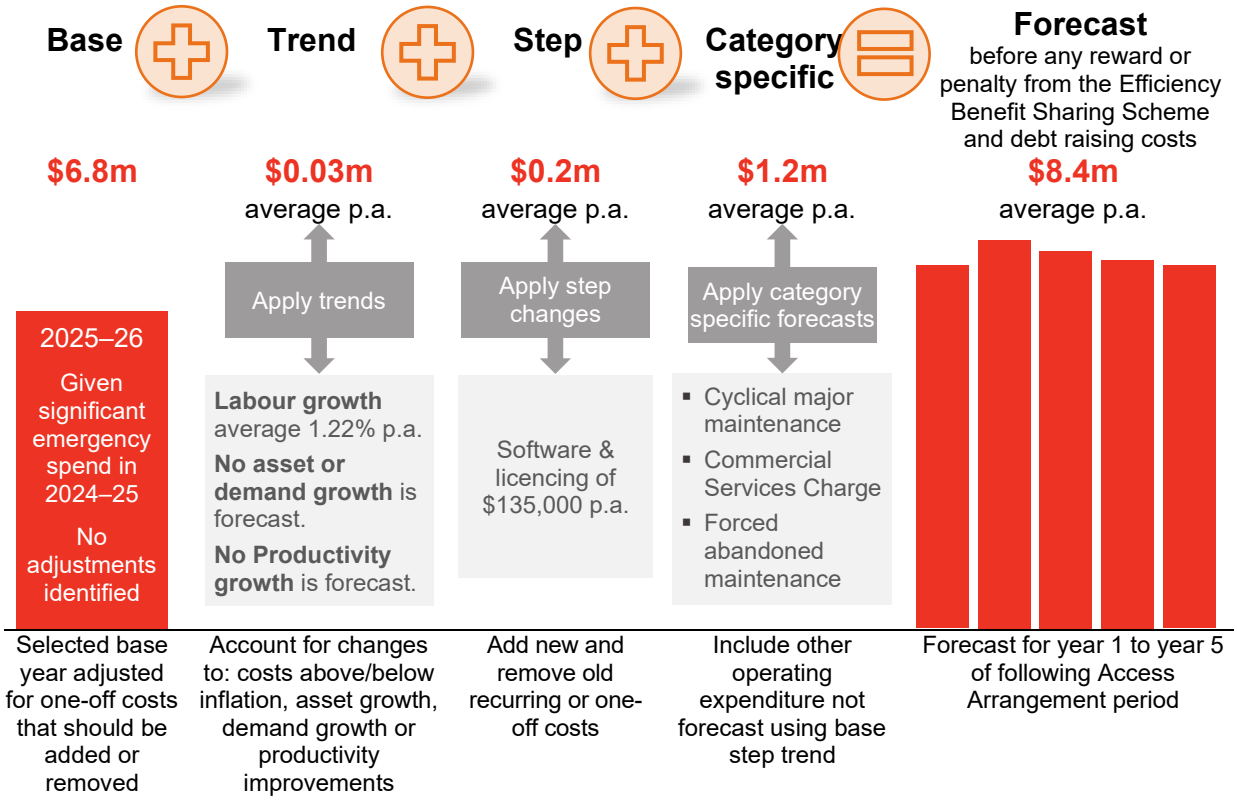
$m Real June 2028	2028–29	2029–30	2030–31	2031–32	2032–33	Total
IGBT Upgrade	15.1	20.1	–	–	–	**35.2**
Reliability	6.2	5.7	1.6	2.6	–	**16.0**
Stay in business	1.7	1.0	0.9	0.4	0.4	**4.4**
Essential Spares	–	0.2	0.9	0.5	0.2	**1.8**
Other	6.6	1.6	0.2	0.0	0.3	**8.7**
Total	**29.5**	**28.6**	**3.6**	**3.6**	**0.9**	**66.2**

Our forecast capital expenditure currently assumes a flat labour rate of 33%. This will be refined ahead of submitting our Proposal to the AER in January and will likely impact the revenue requirement in a small way.

Operating Expenditure

We are proposing $41.8 million of operating expenditure for the 2028–32 period. This aligns with the total estimated operating expenditure for the current period of $37.3 million.

Our forecast has been derived using the AER's preferred method for forecast operating expenditure – the Base, Trend, Step method. Stakeholders supported the full adoption of this methodology.



As mentioned previously, Murraylink set the 2023–28 operating expenditure for the current period below what would be considered to be prudent and efficient. The 2028–33 base trend step model will restore operating expenditure to a sustainable and efficient level. Explanations for each model component follow.

Base Trend Step calculation of 2028–33 operating expenditure by year

$m Real June 2028	2028–29	2029–30	2030–31	2031–32	2032–33	Total
Adjusted 2025–26 base year	6.81	6.81	6.81	6.81	6.81	**34.07**
Price growth	0.05	0.11	0.16	0.22	0.27	**0.81**
Step change – software & licencing	0.14	0.14	0.14	0.14	0.14	**0.68**
Category specific						
– Cyclical major maintenance	0.41	0.04	0.14	0.36	0.06	**1.00**
– Commercial Services Charge	0.75	0.78	0.80	0.82	0.84	**4.00**
– Forced abandoned maintenance	0.16	0.16	0.16	0.16	0.16	**0.80**
Total	**8.32**	**8.04**	**8.21**	**8.51**	**8.29**	**41.37**
Debt raising costs	0.07	0.08	0.10	0.09	0.09	**0.43**
Total operating expenditure	**8.39**	**8.12**	**8.31**	**8.60**	**8.37**	**41.80**

Base year

We propose adopting 2025–26 as our base year. Whilst the 2024–25 year is currently our most recent year of audited data, it included atypical costs. As a result, the 2025–26 year better represents Murraylink's normal operations. We have not identified any one-off costs that are required to be removed or added to the base year, and the audited data will be included in our Revised Proposal.

Trends

We have applied a placeholder average labour growth rate above the consumer price index of 1.22% per annum. This will be updated by the AER as part of their Draft Decision.

We have not applied an annual productivity factor as the fixed nature of Murraylink and its proprietary technology limit technological substitution and productivity improvements.

Step change

We have forecast a $135,200 per annum on-going step change for software licensing costs associated with recent hardware and software upgrades. This is more than double the $63,000 per annum placeholder we shared with stakeholders at our last meeting.

Category specific forecasts

Cyclical major maintenance

This is an on-going category specific forecast that reflects periodic, major maintenance activities. The activities and their costs are not evenly distributed over time, so treating them as a category specific forecast ensures the operating expenditure forecast more accurately reflects when maintenance expenditure will be incurred.

Stakeholders raised no objections to the continuation of this forecasting approach.

Commercial services charge

This is a new category specific forecast that recognises the increase to the charge under the latest maintenance agreement between EII and APA. The maintenance agreement comprises an operating and maintenance component (cost plus margin) as well as a fixed commercial services charge to cover the corporate services that APA provides. Prior to this new agreement, the fixed commercial services charge had remained unchanged in nominal terms for over a decade.

Stakeholders were not surprised by an increase to the commercial services charge given it had been set at a fixed level for so long.

This is a proposed category specific forecast, rather than a step change, as the fee adjustment, under the latest agreement, increases at a higher rate than forecast inflation.

Forced abandoned maintenance

This is also a new category specific forecast that has arisen from growing amounts of renewable energy in the energy market.

Murraylink plans and notifies AEMO of maintenance outages at least 13 months ahead. Where either low reserve conditions are expected (and Murraylink's capacity is needed to support reliability), or minimum system load (**MSL**) conditions are expected (and Murraylink is needed to help manage excess generation) AEMO is able to direct Murraylink to:

- cancel a planned outage before it commences
- recall an outage after it has commenced, or
- withhold approval of a planned outage.

Historically, Murraylink has only had to plan maintenance outages around low reserve conditions, which occur over the winter months, meaning the remainder of the year has been available to undertake maintenance activities. However, MSL events, which typically occur from September through to January inclusive, are becoming an increasing concern for AEMO and are expected to impact some of Murraylink's planned outages in the 2028–33 period. This may create disruption and additional costs for Murraylink, as contractors may already be mobilised, specialist resources may have been booked, and the work must be rescheduled.

MSL events are difficult to predict with certainty as they vary with the weather, customer demand and day of the week, as well as other system aspects including the timing of transmission and renewable generation builds. Increasing electrification, data centres, battery and other energy storage developments and the commissioning of EnergyConnect are all expected to reduce MSL risks over time, so the issue may be transitional rather than permanent.

In the 2025–26 year, Murraylink had to cancel its first MSL related planned outage and forecasts suggest MSL events will increase over the coming years. In the 2026–27 year, AEMO is forecasting up to 45 MSL events impacting South Australia, while Victoria could experience between zero and three events. Whilst Murraylink can attempt to schedule major maintenance into the February to May period, to avoid the typical window for both low reserve conditions and MSL events, this four month window will not be sufficient to undertake all maintenance activities for the interconnector. This may especially be the case where Murraylink is competing with other domestic and international interconnectors to access a limited number of specialist contractors.

We expect that revising contract terms to shift cancellation/recall risk to contractors will cost consumers more in the long run as contractors will have to price the uncertainty into their tenders. Instead, we are currently proposing a two-step approach to account for the uncertain costs related to AEMO directions to cancel planned outages:

1. **A category-specific operating expenditure forecast** that assumes one cancelled/recalled outage per annum based on the average cost of the forecast planned maintenance activities we expect to undertake in the next year.

2. **A new nominated cost pass through event** where forced abandoned maintenance costs exceed the category-specific operating expenditure forecast in a year.

Whilst this two-step approach could see customers pay more than necessary in a year, if no forced abandoned maintenance costs are incurred, it may also expose Murraylink to potential unrecouped costs if the AER assesses the nominated cost pass through event against a materiality threshold that may not be met. You can read more about this proposal in the *New cost pass through events* section.

Regardless of the cost recovery approach, we propose that all forced abandoned maintenance costs be excluded from the Efficiency Benefit Sharing Scheme calculation given the costs arise from events outside Murraylink's control and their exact quantum cannot be determined at this time. This is the primary reason for proposing these costs as a category specific forecast.

In discussing this new problem with stakeholders, two suggestions were raised:

1. One stakeholder thought that the costs of forced abandoned outages should be recovered through AEMO charges, allowing cost recovery from all customers in the National Electricity Market given AEMO's actions are the driver of the costs.

   We have not identified a regulatory mechanism within Murraylink or the AER's control to allow these costs to be recovered through AEMO charges.

2. Two stakeholders suggested that abandonment costs be recovered from the customers in the State that is benefitting from the outage recall/cancellation.

   As the expenditure is operating in nature, we have not been able to identify a regulatory mechanism to allow cost recovery from the customers in the State giving rise to the MSL issue.

Debt raising costs

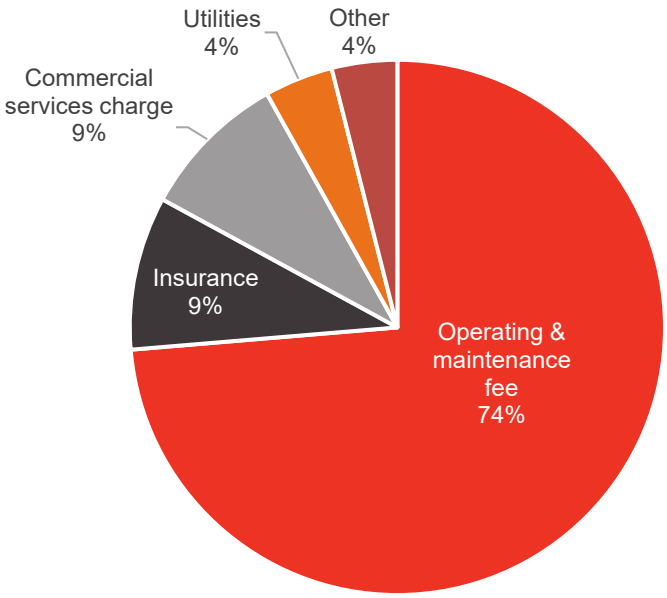
These forecast costs are calculated from the inputs used in the AER's Post Tax Revenue Model.

Indicative operating expenditure composition

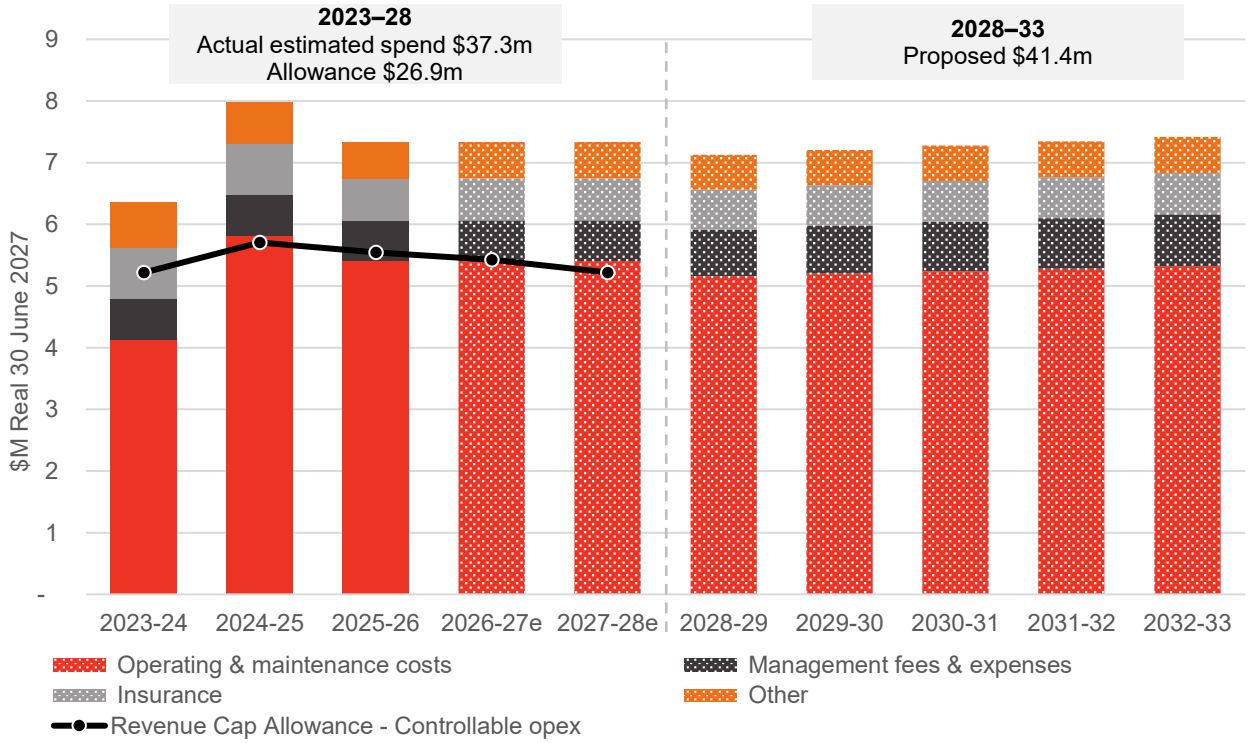
Murraylink's operating expenditure primarily comprises the commercial services charge from APA to EII for maintaining the asset, supplemented by smaller cost categories including insurance and property-related outgoings.

Insurance is the second largest cost and, despite increases over recent years, are expected to remain stable over the 2028–33 period.

Breakdown of 2025–26 operating expenditure



Actual and proposed operating expenditure excluding debt raising costs



8. Incentive schemes

Expenditure incentive schemes

Incentives schemes were applied to Murraylink during the 2023–28 period and will continue to be applied for the 2028–33 period. The table below provides an overview of the two expenditure schemes that applied and our proposed approach to the calculation of rewards or penalties.

Incentive scheme	Efficiency Benefits Sharing Scheme (EBSS)	Capital Expenditure Sharing Scheme (CESS)
How does it work?	The EBSS provides financial rewards for network service providers whose operating expenditure becomes more efficient and financial penalties for those that become less efficient.	The CESS provides financial rewards for network service providers whose capital expenditure becomes more efficient and financial penalties for those that become less efficient.
How do customers benefit?	Consumers benefit from improved efficiency through lower regulated prices.	Consumers benefit from improved efficiency through lower regulated prices.
Our proposed outcomes	**Penalty carryover of $1.3 million**	**Penalty carryover of $2.8 million**

Potential impact of the capital expenditure reopener

Murraylink is in the process of applying to the AER for a capital expenditure reopener to recover the costs related to the replacement of the DryHED capacitors after their unexpected failure. The project cost, of $7.4 million, represents more than half the current period's capital expenditure allowance ($15.5 million) and, whilst Murraylink has attempted to minimise the impact of this unforeseen cost, by reprioritising planned reliability projects, the impact cannot be fully negated.

If successful, Murraylink will not be penalised for the costs of an event that could not have been reasonably foreseen and that is entirely unrelated to the efficiency of the business. Importantly, it will also allow important, planned reliability projects to be undertaken in the current period, rather than being deferred.

If the capital expenditure reopener is accepted by the AER, the CESS outcome could theoretically be as high as a $1.3 million reward, though in reality, this is a bookend as Murraylink would undertake some of the planned reliability projects that have currently been put on hold. This means the final CESS outcome will sit somewhere in the range of a $2.8 million penalty through to a $1.3 million reward.

Forced abandoned maintenance costs to be excluded from the EBSS

As outlined in the *Category specific forecasts* section, given the costs arising from any forced abandoned maintenance are outside Murraylink's control and their exact quantum is unknown, we propose all forced abandoned maintenance costs be excluded from the EBSS

Reliability incentive scheme

The Service Target Performance Incentive Scheme (**STPIS**) provides an incentive to improve or maintain our service levels. STPIS outcomes are calculated each year and flow into customer charges in the following year as part of the annual pricing process.

Two STPIS components have historically applied to Murraylink – the service component and the market impact component. The market impact component has been suspended and is currently being reviewed by the AER. The revised market impact component will be added and a target set once the AER completes its review, either as part of the AER's final determination or via a rule change.

9. Cost pass throughs

The regulatory framework recognises that unpredictable and unforeseen events may occur. Cost pass through provisions allow for increases or reductions arising from material unforeseen events to be reflected in the revenue requirement. Four cost pass through events exist under the National Electricity Rules and have historically applied to Murraylink.

Existing cost pass through events for Murraylink



Regulatory change event
Change in a regulatory obligation or requirement



Service standard event
Legislative or administrative Act or decision



Tax change event
Change in a tax rate, or calculation or imposition or removal of a tax



Insurance event
premium changes by more than 1% of a year's Maximum Allowed Revenue

New cost pass through events

Murraylink believes it is prudent to now include:

- four other events now commonly proposed by networks and accepted by the AER – though noting our proposed inclusion of "epidemic" in the list of potential natural disaster event examples, to clarify that impacts on expenditure, not just asset losses, may fall within the event scope.
- a new nominated cost pass through event to recover forced abandoned maintenance costs, should the actual costs incurred in any year exceed our category specific forecast.

Proposed new cost pass through events for Murraylink



Insurance coverage event
Material costs above the policy limit or now unrecoverable costs



Insurance credit risk event
Insurer becomes insolvent and new insurance differs



Natural disaster event
Including, but not limited to cyclone, fire, flood, epidemic or earthquake



Terrorism event
Political, religious, ideological, ethnic or similar act

These four cost pass through events are common across other electricity and gas networks and, so, do not require justification.



Forced abandoned maintenance event
AEMO direction to abandon planned maintenance

This unique cost pass through event requires justification

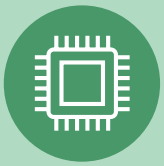
Forced abandoned maintenance cost pass through

As outlined in the *Category specific forecasts* section, the quantum of forced abandoned maintenance costs is uncertain as it is dependent on a number of factors outside of Murraylink's control. Murraylink's total proposed operating expenditure is too small to accommodate additional sizeable, unexpected expenditure. So, whilst these potential costs can be envisaged, their exact quantum in each year is unknown, making their inclusion in operating expenditure difficult.

Murraylink would prefer that all forced abandoned maintenance costs be recovered via a cost pass through – this would ensure that customers pay only for actual costs incurred. However, we have proposed a two-step approach (category specific forecast plus a cost pass through event) to reduce Murraylink's exposure to potential unrecouped costs if the AER assesses the nominated cost pass through event against a materiality threshold. We look forward to engaging with the AER as to the most appropriate method for recovering these potential costs.

10. Risks and benefits of our draft proposal

Benefits to customers

 **Access to cheaper wholesale prices**	 **Continued safe and compliant operation**	 **New asset class & updates to asset lives improves efficiency**	 **Incentive schemes help balance risks**
Murraylink's ongoing operation will continue to provide Victorian and South Australian customers with access to cheaper wholesale prices.	Our proposed investments to upgrade and replace key components and enhance asset security will enable Murraylink to continue providing a safe, secure and reliable source of power between Victoria and South Australia.	The new Valve Hall Equipment asset class will ensure customers pay the efficient costs of the IGBT replacements over their expected technical life. Updates to align tax lives will the latest ATO Ruling improves the efficiency of the tax allowance building block.	The application of the EBSS, CESS and STPIS share the benefits/(risks) of under/(over) spends or improvements/ (declines) in service levels between customers and EII.

Risks for customers

 **Uncertain impact from EnergyConnect**	 **Potential overpayment or higher costs**	 **Higher revenue requirement**	 **Unforeseen costs**
The long-term impact on Murraylink when EnergyConnect becomes fully operational is uncertain. If the utilisation of Murraylink remains below its capacity over the longer-term, it will mean customers are paying more than necessary for interconnector services.	Customers may pay higher costs: ▪ than necessary if actual forced abandoned maintenance costs are lower than the proposed category specific forecast ▪ if any of the new five cost pass events occur and the associated costs are approved by the AER.	Whilst Murraylink represents only a very small portion of customers' retail bills, an increased RAB, a return to a sustainable level of operating expenditure and a higher rate of return, compared to the last regulatory period, have all resulted in a revenue requirement that is 33% higher than the current regulatory period.	New obsolescence issues or unexpected failures of key components could lead to higher expenditure that may see some planned projects being deferred and/or additional costs passed through to customers.

11. Glossary

2023–28	The current regulatory period beginning 1 July 2023 and ending on 30 June 2028
2028–33	The proposed regulatory period beginning 1 July 2028 and ending on 30 June 2033
AC	Alternating current
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ATO	Australian Taxation Office
CESS	Capital Expenditure Sharing Scheme
Draft Overview	This document that presents an overview of the draft 2028-33 Regulatory Proposal
EBSS	Efficiency Benefit Sharing Scheme
HED	High Energy Discharge
HV	High voltage
IGBT	Insulated Gate Bipolar Transistor
m	million
MSL	Minimum System Load
MW	Megawatt
NSW	New South Wales
PIR	Post Implementation Review
RAB	Regulated Asset Base
STPIS	Service Target Performance Incentive Scheme


Red Cliffs converter station