



Transgrid revised Revenue Proposal

**All numbers are not final and subject to change.
All numbers are indicative only.**

Outcomes for customers

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Our revenue proposal will deliver five priority outcomes identified through extensive consultation and engagement with our customers and our TAC:

1. Affordability



We will deliver our services at the lowest possible cost:

- Benchmarking shows we are efficient
- Non-network solutions where efficient and feasible

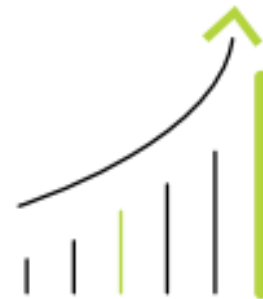
2. Safety, security and reliability



We will invest to:

- Maintain network risk
- Maintain reliability
- Enhance cyber and physical security
- Increase climate resilience

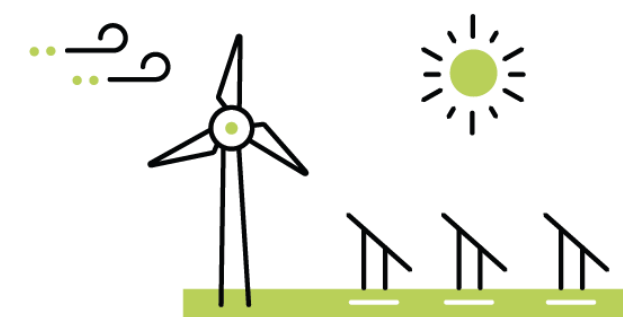
3. Serve rapid load growth



We will invest to meet rapid demand growth in:

- Alpine area
- Western Sydney (Priority Growth area)
- North west Sydney (maintain voltage in the Vineyard area)
- The North West Slopes, and
- Far west NSW

4. Support the transition



We will invest to:

- relieve congestion
- System security roadmap
- Phasor Measurement Units (PMUs)
- Strategic benefit payments to landholders

We will deliver ISP and NSW Government REZ if they are needed

5. Support technology and innovation



We are progressing battery energy storage system (BESS) solutions

We will continue to engage with customers about innovation initiatives and whether they should be reflected in our Revised Revenue Proposal.

Re-focused our stakeholder engagement

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Our Stage 2 (post-lodgement) engagement responds to feedback on our stage 1 (pre-lodgement) engagement. We have:

- Made changes to our TAC membership so that it balances consumer voices
- Jointly developed our Phase 2 engagement plan
- Engaged KPMG to independently facilitate our deep dive workshops
- Co-designed our deep dive workshops with the TAC
- Added two additional deep dive workshops to our initial scope in response to stakeholder requests
- Commenced end customer engagement to test priority outcomes, and
- Focused our engagement on key changes between our initial and revised revenue proposals

Our phase 2 engagement principles

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We co-designed our stakeholder engagement principles with our Transgrid Advisory Council (TAC).



Inclusive

Develop partnerships with customers to ensure contribution and broad representation of views and stakeholders.



Genuine

Demonstrate transparency through showing how consumer preferences and interests shared in the Deep Dives are considered by Transgrid as part of its Revised Revenue Proposal.



Responsive

Embed regular check-in points. Being proactive, coordinated, and consistent in all communications, and show how and why we are making changes to the approach and process based on feedback.



Measurable

Using multiple methods to seek input and taking regular pulse checks.

Our phase 2 engagement channels

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TAC Meetings

Act as a **key stakeholder advisor to Transgrid**, offering consumer and industry insights and provide advice on strategic policy topics and business plans, ensuring stakeholder perspectives are consistently included in decision making.

TAC Reset Deep Dives

Enables TAC to actively participate in **the design of our positions and proposal in our Revised Revenue Proposal**.

We will run multiple workshops on a variety of topics.

This will enable us to refine our positions and proposals based on feedback received.

System Security Roadmap (SSR)

The SSR project will **define the network infrastructure needs and operational capabilities necessary to manage the external environment** and evolving risks and ensure the secure operation of the network.

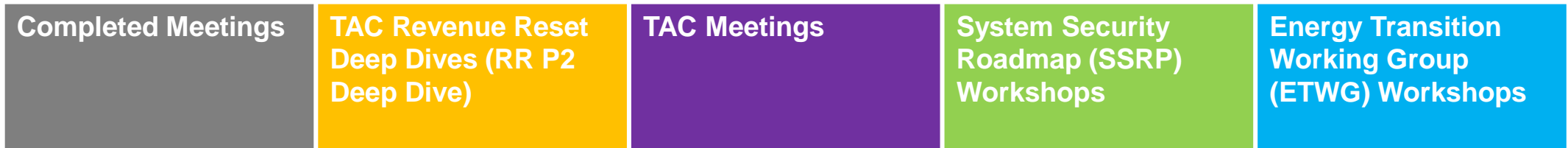
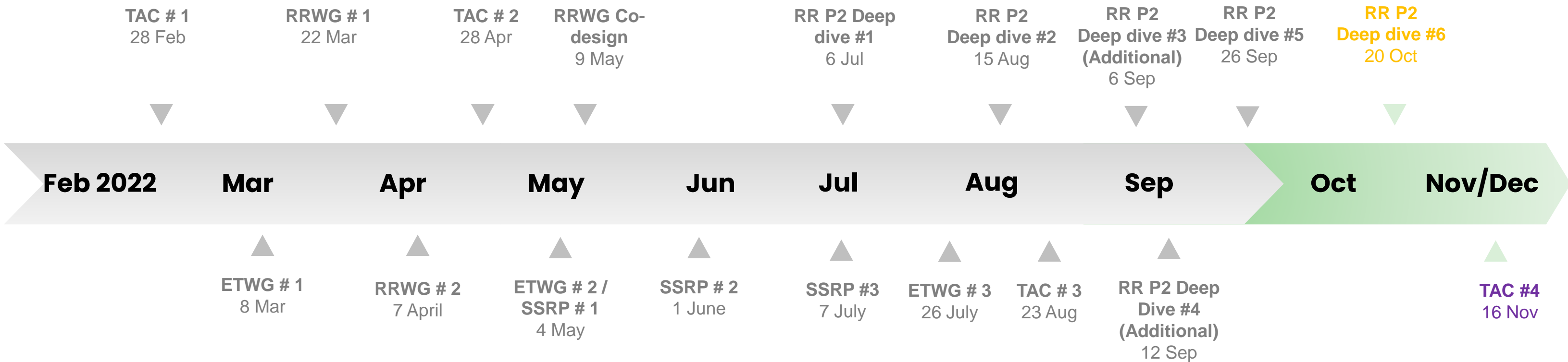
Energy Transition Working Group (ETWG)

This working group **discusses issues arising from the transition of the energy market** from a fossil fuels-based market to one dominated by renewable generation.

Regularly scheduled forums are also complimented by other forms of communication and ad hoc engagement when required.

Our phase 2 engagement timelines

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Key changes to our forecast opex

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We have been consulting our TAC on changes to our existing and new step changes to address developments in our operating environment and regulatory obligations since our initial Revenue Proposal

New additional opex	External driver	Indicative cost
Cyber and Physical security	<ul style="list-style-type: none">Additional SOCI Act requirements published after our initial Revenue Proposal^{1, 2}	9.5
System Security Roadmap	<ul style="list-style-type: none">AEMO's Engineering Framework Initial Roadmap³ and 2022 ISP⁴	44.8
Strategic benefit payments	<ul style="list-style-type: none">NSW Government's Strategic Benefit Payments Scheme	35.0
Total additional opex		89.3

Notes: 1. This includes SOCI Act pillars 3 and 4 (personnel and supply chain), as well as the overarching risk management plan 2. This cost is additional to our initial step change of \$25.0 million for pillars 1 and 2) 3. Published in December 2021 4. Published 30 June 2022

Key changes to our forecast capex

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We have been consulting our TAC on changes to our forecast capex to address developments in our operating environment and regulatory obligations since our initial Revenue Proposal

New additional capex	External driver	Indicative cost
Update for 2021-22 unit rates	<ul style="list-style-type: none"> Update for market pricing and cost movements. GHD independent review 	115.0
System Security Roadmap (Digital Twin and Situational awareness)	<ul style="list-style-type: none"> AEMO's Engineering Framework Initial Roadmap¹ and 2022 ISP² 	85.0
Recently completed RIT-Ts	<ul style="list-style-type: none"> Managing line 86 – Repex (\$11.6M) Maintain reliable supply to BOP Stage 1 (\$40.9M) Maintain reliable supply to North West Slopes Area (\$8.0M) 	60.5
AEMO NSCAS gap and PMUs	<ul style="list-style-type: none"> AEMO declared Coleambally region NSCAS gap AEMO has issued a notice to install PMU devices 	15.0
Supply to Panorama area - McPhillamy's mine connection	<ul style="list-style-type: none"> Essential Energy requested connection of new mining load through the joint planning process. 	15.5
Total additional capex		291.0

Notes: 1. Published in December 2021 2. Published 30 June 2022

Next steps

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- We are actively engaging and working with the AER and will continue to do so as we progress our Revised Revenue Proposal.
- We will continue to engage with our TAC and seek their input on our key positions and proposals
- Our final Revenue Reset Deep Dive is on 20 October 2022
- We will ask our TAC for feedback on key decisions including:
 - Relying on BESS for improving stability in south-west NSW and therefore avoiding c. \$190 million of network capex
 - Relying solely on the BESS and STATCOM for BOP stage 1 and therefore avoiding \$40 million of network capex (synchronous condenser)
 - Including stage 1 of North West Slopes only (i.e. a new transformer at Narrabri c. \$8 million) and stage 2 as a Contingent Project, thereby avoiding \$42 million of network capex
- We will lodge our Revised Revenue Proposal on 2 December 2022.