



Electricity licence fees 2025-26
Review of methodology

Draft Report

April 2025

Energy »

Acknowledgment of Country

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We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

ENR Committee Members

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IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Monday, 19 May 2025

We prefer to receive them electronically via our [online submission form](#).

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Electricity licence fees 2025-26 - Review of methodology
Independent Pricing and Regulatory Tribunal
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Haymarket Post Shop, Sydney NSW 1240

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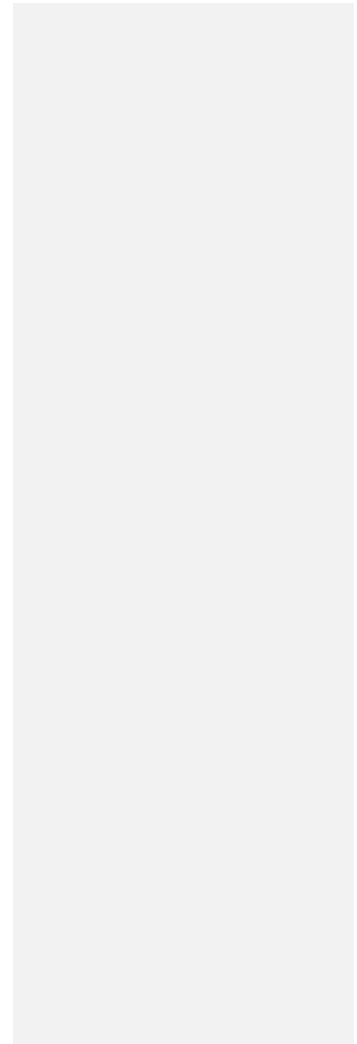
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1 Introduction

Electricity Network Operators (ENOs) licensed in NSW are required to pay an annual fee as a condition of their licence^a. IPART determines the methodology for calculating these fees and recommends them to the Minister for Energy.

In October 2021, we published a report^b outlining the methodology used to calculate licence fees for the ENOs; Ausgrid, Endeavour Energy, Essential Energy and TransGrid.

This draft report presents the updated methodology, developed in response to changes in regulatory landscape and cost estimates. It also includes our proposed licence fee amounts to be applied from 2025-2026.

This report:

- Updates IPART's methodology for ENO licence fees.
- Reflects changes to licence conditions and cost estimates.
- Introduces new entrants and new obligations through an extension of our existing methodology.
- Recalculates fee allocations using updated data and indicators.

This report is structured as follows:

- Section 2, Context – outline of our existing methodology and changes within the regulatory landscape and our cost estimates.
- Section 3, Updated methodology – outline of the extensions made to our existing methodology and the draft recommended licence fees.

^a Network operator distributor licence: condition 16 (Ausgrid, Essential Energy and Endeavour Energy) and Network operator transmission licence: condition 14 (TransGrid and ACERZ).

^b IPART, [Electricity licence fees 2021-22 Review of methodology – Final Report](#), October 2021.

2 Context

2.1 Our current methodology

Our current methodology uses a two-component model that allocates the workload required for regulating and enforcing compliance. It is a cost-reflective model used to calculate licence fees that recover the associated costs.

The two components are:

- Licence obligations – allocates costs based on the workload respective to each ENO's licence conditions. Obligations are categorised as 'high impact' or 'low impact' depending on the regulatory effort required.
- Network indicator model – allocates costs for us to regulate the network operator safety functions based on network size and complexity, using factors including network length, customer base, load delivered, revenue and Regulatory Asset Base (RAB).

Each component has a weighting of 50%.

2.2 Changes in the regulatory landscape

2.2.1 Distribution district licence condition

Licence condition 1.2 of the existing distributor's licence outlines new processes to be followed by ENOs when there is an overlap between distribution districts. As the condition no longer requires IPART's involvement for compliance, we will no longer apportion regulatory workload to it in our methodology. In 2022, IPART recommended removing the requirement for the Tribunal to maintain a register of agreements between distribution network operators regarding operation outside of their distribution districts. This change allows network operators to manage these agreements directly without requiring IPART's approval or oversight.

2.2.2 Central-West Orana Renewable Energy Zone and future projects

In September 2024, ACEREZ (network operator for the Central-West Orana Renewable Energy Zone) was granted a Transmission Operator's Licence by the Minister for Energy, requiring it to pay an annual licence fee. ACEREZ is the first licensed transmission operator in the first of 5 new renewable energy zone (REZ) projects, with an energisation date scheduled for 2028.

As ACEREZ is still in its pre-operational phase, some data that would be used to calculate costs is unavailable. Key inputs for the network indicator model component, such as customer base, load delivered, revenue, and Regulatory Asset Base (RAB) are not available in the pre-operational phase. Accordingly, we determined that network length is an appropriate proxy for estimating the size and complexity of ACEREZ's network.

Given that ACEREZ is not yet operational, we consider it appropriate to gradually increase ACEREZ's licence fee over time. Under this approach, ACEREZ would pay 25% of its full licence fee in the first year, with the fee increasing by 25 percentage points each year until it reaches 100% in 2028, when the network becomes fully operational. This graduated approach to full fees reflects IPART's increasing workload as ACEREZ moves to full operation.

2.2.3 Strategic Benefits Payment Scheme (SBPS)

SBPS is a new, anticipated licence condition that applies to TransGrid and ACERZ and has been categorised as a high-impact obligation due to its extensive reporting requirements and IPART's anticipated workload for monitoring and analysing compliance.

2.3 Changes in our regulatory cost estimates from our last review

2.3.1 How we previously estimated IPART regulatory costs for ENOs

Following the 2021 methodology review, regulatory costs were indexed annually using the Sydney Consumer Price Index (CPI), adjusted by IPART's annual productivity factor. This factor is calculated as a rolling 15-year average of the Australian Bureau of Statistics' market sector Multifactor Productivity (MFP), based on quality-adjusted hours worked.

IPART also regulates several non-licensed ENOs. We estimate that 7% of the total workload is related to non-licensed ENOs, with the remaining 93% allocated to licensed ENOs. We consider this estimate of the allocation between licensed and non-licensed network operators remains appropriate.

The licence fees issued to ENOs from 2021-22 to 2024-25, under the 2021 methodology, are shown in **Table 2-1**.

Table 2-1 Licence fees for ENOs 2021-2024

	2021-22	2022-23	2023-24	2024-25
Ausgrid	\$543,000	\$563,000	\$600,000	\$619,000
Endeavour Energy	\$433,000	\$449,000	\$479,000	\$494,000
Essential Energy	\$477,000	\$495,000	\$528,000	\$544,000
TransGrid	\$398,000	\$413,000	\$440,000	\$454,000
Total	\$1,851,000	\$1,920,000	\$2,047,000	\$2,111,000

2.3.2 We have made changes to IPART's regulatory cost estimates

Since the 2021 methodology, several changes have impacted IPART's regulatory cost base.

- Increased personnel costs, due to staffing changes and a rise in average salaries.
- Additional external legal and consultancy costs, arising from additional regulatory matters.
- A major incident investigation has increased IPART's regulatory workload and associated legal expenditure. The costs related to this incident have been factored into our contingency allocation.
- Expanded regulatory responsibilities, following the introduction of the SBPS and related to the administration and compliance monitoring of ACERZ.

We have assessed our updated regulatory costs at \$2.91 million.

Of this amount, 93% has been allocated to licensed ENOs, consistent with previous workload assumptions. Therefore, \$2.71 million will be recovered through licence fees charged to licensed ENOs.

2.4 We have responded to the changes in the regulatory and cost estimates

In response to these changes, we have:

- Re-calculated the financial estimates for the regulatory costs to be recovered.
- Removed the "Distribution district" licence condition from the licence obligation component.
- Made an extension to our existing methodology to accommodate for the entrance of ACERREZ and future REZ projects as licensed ENOs.
- Added a new licence condition obligation for the Strategic Benefits Payment Scheme (SBPS) through the extension.

3 Our updated methodology

3.1 We have made changes to the licence obligation component

Obligations have been categorised as either 'high impact' or 'low impact', based on the level of regulatory workload. Of the total 50% weighting assigned to the licence obligation component, high-impact obligations account for 45%, and low-impact obligations for 5%.

With the removal of the "Distribution district" licence condition, the updated licence obligation component is shown in **Table 3-1**. The condition was previously classified as a low-impact obligation. Its removal has resulted in a slight adjustment to the low-impact workload proportions—from 0.71% to 1.25%.

Table 3-1 Updated licence obligations ENOs

Licence Obligation	Ausgrid	Endeavour Energy	Essential Energy	TransGrid	Total
High impact workload (45%)					
Critical Infrastructure	2.5%	2.5%	2.5%	2.5%	10.00%
Distribution reliability	2.5%	2.5%	2.5%		7.50%
Public lighting code	2.5%	2.5%	2.5%		7.50%
Transmission reliability standards				2.5%	2.50%
Incident reporting and management (distribution)	2.5%	2.5%	2.5%		7.50%
General licence administration	2.5%	2.5%	2.5%	2.5%	10.00%
Low impact workload (5%)					
Compliance with environmental obligations and related EP&A Act obligations	1.25%	1.25%		1.25%	3.75%
Incident reporting and management (transmission)				1.25%	1.25%
Total allocation of function to Regulatory Costs	13.75%	13.75%	12.50%	10.00%	50.00%

This change has a minimal effect on the overall licence obligation component. **Table 3-2** summarises the total number of obligations assigned to each ENO, along with their corresponding allocation of function to regulatory costs.

Table 3-2 Summary of licence obligations and regulatory cost allocation

Licence Obligation	Ausgrid	Endeavour Energy	Essential Energy	TransGrid	Total
High Impact	5 (12.5%)	5 (12.5%)	5 (12.5%)	3 (10.0%)	18 (45.0%)
Low Impact	1 (1.25%)	1 (1.25%)	0 (0.0%)	2 (2.5%)	4 (5.0%)
Total	6 (13.75%)	6 (13.75%)	5 (12.50%)	5 (10.00%)	22 (50%)

3.2 We have updated the network indicator model component

The network indicator model has been updated using the most recent available data. The indicators are consistent with the existing methodology, but the values have changed, as shown in **Table 3-3**.

The indicators are consistent with the existing methodology, but the values have changed,

Table 3-3 Updated indicator parameters

Network Indicator	Revenue ^a (\$m)/ (%)	Network Length ^b (km)/ (%)	Customers ^c (No.)/ (%)	RAB ^a (\$m)/ (%)	Load ^a (MWh)/ (%)
Ausgrid	1791 (35%)	49,000 (16%)	1,803,455 (47%)	16,981 (36%)	26,308,497 (22%)
Endeavour Energy	1142 (22%)	59,300 (19%)	1,115,884 (29%)	8,551 (18%)	17,118,328 (14%)
Essential Energy	1262 (25%)	183,612 (60%)	896,460 (23%)	11,221 (24%)	12,611,039 (10%)
TransGrid	889 (18%)	13,100 (4%)	28 (0%)	1,262 (22%)	64,583,954 (54%)
Total	100%	100%	100%	100%	100%

Note: Numbers may not add to totals due to rounding.

a. AER Determinations 2024-29 for Ausgrid, Endeavour Energy and Essential Energy; and AER Determination 2023-28 for TransGrid. Average value over determination.

b. Ausgrid, Distribution and Transmission Annual Planning Report December 2020; Endeavour Energy, Distribution Annual Planning Report December 2024, Essential Energy, Annual Report 2023-24 and TransGrid, Annual Review FY20.

c. April-July 2024 reliability and performance reports submitted to IPART, *Customer numbers confirmed by TransGrid*.

In line with the existing methodology, we have allocated the recoverable costs across ENOs using these updated indicators. As shown in **Table 3-4**, costs are apportioned relative to each network's size and complexity, with weightings applied to each metric.

Table 3-4 Weighted network indicator model measures

Network Indicator	Revenue (%)	Network Length (%)	Customers (%)	RAB (%)	Load (%)	Total (%)
Ausgrid	35%/6 (5.8%)	16%/6 (2.7%)	50%/6 (7.9%)	37%/6 (6.0%)	21%/3 (7.2%)	29.6%
Endeavour Energy	23%/6 (3.8%)	19%/6 (3.2%)	25%/6 (4.9%)	19%/6 (3.1%)	14%/3 (4.7%)	19.7%
Essential Energy	24%/6 (4.1%)	60%/6 (10.0%)	25%/6 (3.9%)	24%/6 (3.9%)	11%/3 (3.5%)	25.6%
TransGrid	18%/6 (3.0%)	4%/6 (0.7%)	0%/6 (0%)	20%/6 (3.6%)	54%/3 (17.9%)	25.3%
Total	16.6%	16.6%	16.6%	16.6%	33.3%	100%

Note: Numbers may not add to totals due to rounding.

These weighted results from the network indicator model are then used to allocate the safety regulation component costs (representing 50% of the total regulatory cost). The cost allocations are summarised in **Table 3-5**.

Table 3-5 Allocation of safety obligations to IPART regulatory costs

Network Operator	Network Indicator Model weighting	Total Allocation of function to IPART regulatory costs
Ausgrid	29.6%	14.8%
Endeavour Energy	19.7%	9.8%
Essential Energy	25.5%	12.7%
TransGrid	25.3%	12.6%
Total	100%	50%

Note: Numbers may not add to totals due to rounding.

3.3 We have made an extension to our existing methodology for ACERZ and the SBPS condition

The inclusion of a new licensee and new obligations has increased IPART's regulatory workload. We have made an extension to our methodology to incorporate both ACERZ and the SBPS condition into our licensing framework to reflect the increase.

3.3.1 Licence obligation component

We have assigned ACERZ 4 high-impact and 2 low-impact licence obligations consistent with the breakdown of licence obligations that apply to transmission operators set out in **Table 3.6**. This includes the SBPS condition, which has been categorised as high impact.

As the SBPS condition also applies to TransGrid, one additional high-impact obligation has been added to TransGrid's total.

Table 3-6 Additional licence obligations for TransGrid and ACERZ

Additional licence obligations	TransGrid	ACERZ
High impact	1 (2.5%)	4 (10%)
Low impact	0 (0.0%)	2 (2.5%)
Total	1 (2.5%)	6 (12.5%)

3.3.2 Network indicator model component

Since TransGrid's total obligations reflect the full scope of transmission-related regulatory work, ACERZ's safety management system obligations have been determined as a percentage of this workload, proportional to its network length. **Table 3-7** presents the relative proportion of ACERZ's network length to TransGrid.

Table 3-7 ACERZ's relative proportion to TransGrid

Network Operator	Network Length (km)	Proportion (%)
ACERZ	240	1.83%
TransGrid	13,103	100%

3.4 We have calculated the draft recommended licence fees

Table 3-8 shows the total distribution of regulatory workload across the ENOs following the inclusion of ACERZ and the SBPS condition.

Table 3-8 Final workload distribution including ACERZ and SBPS

	Ausgrid	Endeavour Energy	Essential Energy	TransGrid	ACERZ	Total
Licence obligations	13.75%	13.75%	12.50%	12.50%	12.50%	65.00%
Network indicator model	14.87%	9.82%	12.78%	12.53%	1.83%	51.83%
Total	28.62%	23.57%	25.28%	25.03%	14.33%	116.83%

Using this total distribution, we have determined the recommended licence fees for each ENO given that our total regulatory costs to be recovered is \$2.71 million. That is, we are equating the 116.83% to \$2.71 million and then proportioning the rest accordingly. As already mentioned, ACERZ will only pay 25% on their full licence fee in the first year. The licence fees are displayed in **Table 3-9**.

Table 3-9 Recommended licence fees

Network Operator	Recommended Licence Fees (Rounded to '000s)
Ausgrid	\$664,000
Endeavour Energy	\$547,000
Essential Energy	\$586,000
TransGrid	\$581,000
ACERZ	\$83,000 ^a
Total	\$2,460,000

a. ACERZ's total calculated fee was \$332,000, which was reduced to 25% (\$83,000) to reflect its pre-operational status. The total regulatory cost is therefore \$2.71 million excluding ACERZ's fee adjustment.

3.5 We will index licence fees annually

As our existing methodology, we will use the Sydney CPI adjusted by IPART's annual productivity factor to index licence fees annually. This ensures transparency and allows for costs to increase consistent with economy-wide movements in price, minus an allowance for efficiency.

Each year, we will index the licence fees and make a recommendation to the Minister on the ENO licence fees for the applicable financial year.

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