Electricity licence fees 2025-26
Review of methodology

Final Report

June 2025

Energy »

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

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

ENR Committee Members

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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

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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 (Minister).

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. At the start of 2025, we commenced a review of this methodology. On 28 April 2025, we released a draft report containing the revised methodology to calculate licence fees for consultation.

Following the consultation and completion of the review, this final report presents the updated methodology. The revised approach has been developed in response to changes in the regulatory landscape and cost estimates. This final report 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, and
- recalculates fee allocations using updated data and indicators.

This report is structured as follows:

- Section 2, Context – outcomes from the draft report consultation, an overview of key timeframes, outlines the 2021 methodology, updated cost estimates and key changes in the regulatory landscape.
- Section 3, Updated methodology – outlines the extensions made to our existing methodology and the 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 ACEREZ).

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

2 Context

2.1 We sought feedback on the draft report

We conducted public consultation on this review between 28 April 2025 and 19 May 2025 with ENOs and other stakeholders.

We sought stakeholder feedback on the changes made to the 2021 methodology, as summarised in Box 1.

Box 1 Issues for stakeholder feedback

1. The proposed methodology for setting licence fees, specifically:
   - the method and rationale for extending the model to incorporate new Renewable Energy Zone (REZ) entrants
   - the adjustment to account for the introduction of the Strategic Benefits Payment Scheme (SBPS) condition and removal of the "District distribution" licence condition, and
   - the updated indicator values used to reflect size and complexity of each network.
2. Updated IPART's total efficient costs for regulating all ENOs.
3. The recommended licence fees for 2025-26, which would be indexed and applied in each subsequent financial year under this methodology, until it is next reviewed.

Source: IPART, *Electricity licence fees 2025-26 Review of methodology* – Draft Report, April 2025

We received a submission from Essential Energy in response to the draft report. Ausgrid, Endeavour Energy, Transgrid and ACEREZ responded with comments via email supporting the methodology.

In its submission, Essential Energy agrees that the issuing of ACEREZ's transmission licence requires this review, and that "the approach correctly accounts for ACEREZ's phased transition to full operation by 2028 with appropriate licence obligations and network indicators, along with a gradual increase in the licence fee during this period".

Essential Energy has also requested that we re-evaluate the methodology for ACEREZ once it reaches full operation to ensure alignment with other licensed operators regarding network indicators.

As network indicator data for ACEREZ is expected to remain unavailable even once it reaches full operation, we consider that the updated methodology provides an appropriate way to account for the size and complexity of ACEREZ and future REZ entrants. This approach ensures the model remains fit for purpose despite the limited availability of data.

ACEREZ requested Table 3-6 identify which of ACEREZ's licence conditions are considered high or low impact for future reference. In response, we have updated the table to include this information and specified the relevant conditions.

We will continue to monitor the methodology to ensure it remains fit for purpose. As the regulatory landscape evolves, including the introduction of new ENOs or changes to licence conditions, we will use the extension approach to incorporate necessary updates to the model. We will also undertake a broader review of the methodology if there are significant changes that materially affect its ongoing suitability or structure.

Based on the feedback received to this review from stakeholders, we have not made changes to our methodology. We have also maintained our draft regulatory cost to calculate recommended licence fees.

2.2 Overview of timetable for the review

Table 2-2 outlines the key milestones for this review.

Following submission of our recommendations, the Minister will determine the licence fees for the network operators. We expect to publish the Final Report once the Minister has made this decision.

The updated licence fees will apply to the 2025–26 financial year and be indexed annually thereafter.

Table 2.2 Overview of review's key milestones

Key milestone	Timing
Draft Report published	28 April 2025
Submissions to Draft Report due	19 May 2025
Deliver Final Report and recommendations to the Minister	6 June 2025
Licence fees issued for 2025-26	Anticipated early 2025-26

2.3 Our 2021 methodology

Our 2021 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%.

2.4 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, requiring it to pay an annual licence fee. ACEREZ is the first licensed transmission operator in the first of 5 new 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 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 is a new, anticipated licence condition that applies to Transgrid and ACEREZ, as transmission operators. SBPS has been categorised as a high-impact obligation due to its extensive reporting requirements and IPART's anticipated workload for monitoring and analysing compliance.

2.5 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 recommend maintaining the estimate that 7% of the total workload relates 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 previous 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

Network Operator	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 review, the following 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 ACEREZ.

We have assessed our updated regulatory costs at $2.91 million. This amount is unchanged from our draft report.

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.

2.6 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 ACEREZ and future REZ projects as licensed ENOs, and
- added a new licence condition obligation for the 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 of 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 (7.5%)	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, although the values have been revised, as shown in **Table 3-3**.

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	1,791 (35%)	49,000 (16%)	1,803,455 (47%)	16,981 (36%)	26,308,497 (22%)
Endeavour Energy	1,142 (22%)	59,300 (19%)	1,115,884 (29%)	8,551 (18%)	17,118,328 (14%)
Essential Energy	1,262 (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 ACEREZ 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 ACEREZ and the SBPS condition into our licensing framework to reflect the increase.

3.3.1 Licence obligation component

We have assigned ACEREZ 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 ACEREZ

Additional licence obligations	TransGrid	ACEREZ
High impact		
Critical infrastructure		2.5%
Strategic Benefits Payment Scheme	2.5%	2.5%
Transmission reliability standards		2.5%
General licence administration		2.5%
Low impact		
Compliance with environmental obligations and related EP&A Act obligations		1.25%
Incident reporting and management (transmission)		1.25%
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, ACEREZ'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 ACEREZ's network length to Transgrid.

Table 3-7 ACEREZ's relative proportion to Transgrid

Network Operator	Network Length (km)	Proportion (%)
ACEREZ	240	1.83%
Transgrid	13,103	100%

3.4 We have calculated the recommended licence fees

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

Table 3-8 Final workload distribution including ACEREZ and SBPS

	Ausgrid	Endeavour Energy	Essential Energy	Transgrid	ACEREZ	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, ACEREZ will only pay 25% on their full licence fee in the first year. The licence fees are displayed in **Table 3-9**, with the inclusion of the 2024-25 licence fees for comparison.

Table 3-9 Recommended 2025-26 licence fees compared to 2024-25 licence fees

Network Operator	2024-25 licence fees	Recommended 2025-26 licence fees (Rounded to '000s)
Ausgrid	$619,000	$664,000
Endeavour Energy	$494,000	$547,000
Essential Energy	$544,000	$586,000
Transgrid	$454,000	$581,000
ACEREZ		$83,000[a]
Total	**$2,111,000**	**$2,461,000**

a. ACEREZ'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 ACEREZ's fee adjustment.

3.5 We will index licence fees annually

As per 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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