



Prudent discounts in an adoptive jurisdiction

Stakeholder submissions invited on new expedited rule change request

The Australian Energy Market Commission (AEMC) has published a consultation paper on a rule change request received from the Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, Minister for Solar Homes (Victoria) that seeks to make clarificatory and procedural amendments to the operation of the prudent discount regime in Victoria as an adoptive jurisdiction.

The prudent discount regime allows a transmission customer to negotiate and obtain a discount on its transmission charges from its transmission network service provider (TNSP) where this would avoid the customer inefficiently by-passing the transmission network.

As an adoptive jurisdiction, the prudent discount framework operates in slightly different manner in Victoria as compared to other jurisdictions. This is because the Australian Energy Market Operator (AEMO) operates as the transmission network service provider (TNSP) in Victoria, meaning that functions discharged by the TNSP in other jurisdictions are shared between AEMO and declared transmission system operators (DTSOs) in Victoria.

The proposals set out in the rule change request are limited in scope in that they would only apply in adoptive jurisdictions. They seek to establish additional information provision and negotiation obligations that would apply to AEMO and DTSOs, and to clarify a suggested ambiguity around AEMO's ability to seek conditional approval from the Australian Energy Regulator (AER) to recover the costs associated with discounts in full from other customers.

The rule change request

In the rule change request, the proponent identifies three key issues in the rules which it considers are hindering the effective operation of the prudent discount regime in adoptive jurisdictions, and makes proposals to address these:

- There is no obligation on the relevant DTSO to negotiate in good faith directly with a transmission customer who requests a discount, creating a gap in the procedural rights of a transmission customer to obtain relevant information. Obligations on the DTSO to negotiate with the customer in good faith and to provide relevant information are proposed.
- There is no obligation on AEMO as the TNSP to provide reasons for refusing to agree to a discount and no obligation on the DTSO to provide reasons for refusing to consent to AEMO providing a discount. Obligations on these parties to provide reasons are proposed.
- There is a lack of clarity as to whether AEMO can propose to agree to a discount on a conditional basis, pending the outcome of an application to the AER for approval of recovery of the entire discount amount from other transmission customers. Additional rules drafting is proposed that aims to clarify that such conditional approval is possible.

Treatment as a non-controversial rule

The Minister has requested that the rule change request be treated as a non-controversial rule in accordance with section 96 of the National Electricity Law (NEL). The Minister considers that the proposed changes are of a procedural nature and will not have a significant effect on the national electricity market.

The Commission considers that the proposed rule meets the definition of a non-controversial rule in the NEL. Rule changes that are considered to be non-controversial

may be processed under an expedited (faster) process, under which there is only one round of consultation and the AEMC must publish its final determination within eight weeks of commencing the rule change process.

The Commission has decided to use an expedited process, provided that it does not receive any valid requests not to by 22 October 2020.

Key dates

The key dates for stakeholders in this process are as follows:

- Commencement of this rule change process and publication of this consultation paper: 8 October 2020
- Written requests not to use the expedited process to be received by: 22 October 2020
- Submissions to the consultation paper to be received by: 5 November 2020
- Publication of the final rule determination and final rule (if made): 3 December 2020

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