ACCOMMODATING FINANCEABILITY IN THE REGULATORY FRAMEWORK

stakeholder feedback template

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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| --- | --- |
| **ORGANISATION:** |  |
| **CONTACT NAME:** |  |
| **EMAIL:** |  |
| **PHONE:** |  |
| **DATE** |  |

project DETAILS

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| **NAME OF RULE CHANGE** | Accommodating financeability in the regulatory framework |
| **PROJECT CODE:** | ERC0348 |
| **PROPONENT** | The Honourable Chris Bowen MP, Commonwealth Minister for Climate Change and Energy |
| **SUBMISSION DUE DATE:** | 14 July 2023 |

**Question 1** – IDENTIFYING THE PROBLEM

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| Do stakeholders have any new information or views on the problem raised in this rule change request, having regard to what has already been consulted on and established in TPIR? |  |

**Question 2** – HOW TO ASSESS FINANCEABILITY APPLICATIONS

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| (a) Should TNSPs have to submit an application to the AER to vary the depreciation profile of actionable ISP projects? If so, what information should this include? |  |
| (b) Should the AER vary the depreciation profile of actionable ISP projects using principles or a prescriptive approach? |  |
| (c) What level of AER discretion is appropriate? |  |
| (d) Do you consider that the proposed principles are appropriate? Should any other assessment factors be taken into account? |  |

**Question 3** – LEVEL OF FINANCEABILITY ASSESSMENT

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| (a) Should the financeability assessment be at the TNSP RAB level or the ISP project level? |  |

**Question 4** – FINANCEABILITY ASSESSMENT PROCESS AND TIMING

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| Is the proposed process and timing to assess requests to vary depreciation for actionable ISP  projects practical and efficient? If not, what alternative processes and timings do you suggest  be specified in the NER? |  |

**Question 5** – WILL THE PROPOSAL RESOLVE THE PROBLEM?

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| (a) Will the proposed solution to vary depreciation profiles resolve the problem raised in the rule change request? Would it reduce or eliminate the need for concessional finance from governments for ISP projects? |  |
| (b) Are there any alternative solutions that would resolve the problem and be more preferable and aligned with the long-term interests of consumers? |  |

**Question 6** – AER GUIDANCE

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| Should the AER be required to publish guidance on how it may vary the depreciation profile for assets that form part of an actionable ISP projects? |  |

**Question 7** – TRANSITIONAL ARRANGEMENTS

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| (a) If the proposed rule is made, should the AER be required to develop any guidance, or  amend any AER models, before or after the commencement of the rule? If so, what level of  prescription should be included in the NER? |  |
| (b) If the proposed rule is made, should it provide a transitional period to enable market participants to prepare? If so, how long should such a transitional period be? |  |
| (c) Is there a need for any transitional arrangements to assist with managing interactions other NER amendments or other market reforms? If so, what? |  |

**Question 8** – BIODIVERSITY OFFSET ARRANGEMENTS ACROSS NEM JURISDICTIONS

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| Are the costs of meeting biodiversity obligations material? Are they likely to impact  financeability of actionable ISP projects? |  |

**QUestion 9** – RECOGNISING AND MANAGING BIODIVERSITY OFFSET COSTS

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| (a) Does the AER already have discretion to do what the rule change request is proposing  (i.e. applying depreciation as incurred for transmission assets)? |  |
| (b) Should land purchased specifically for the purpose of meeting biodiversity offset  obligations be depreciable? Should other costs of meeting biodiversity offset obligations be depreciable? |  |
| (c) Do you agree or disagree that recovering depreciation of biodiversity offset costs as incurred (as opposed to as commissioned), would be an appropriate solution to the financeability problem? Does this re-allocate completion risk from TNSP’s to consumers? |  |
| (d) Are the nature of biodiversity offsets different from other assets that comprise a specific  actionable ISP project, such that biodiversity offsets should be depreciated on a different  basis to other assets? |  |

**Question 10** – APPLICATION OF PROPOSED SOLUTION TO INTENDING TNSPS

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| If TNSPs are able to recover depreciation of biodiversity offsets on an as incurred basis, should this be extended to intending TNSPs? |  |

**Question 11** – CLARIFYING DEPRECIATION TREATMENT OF ASSET CLASSES

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| (a) Do you agree with the proposal to require the AER to explicitly outline how depreciation would apply to all asset classes in actionable ISP projects? Should this include biodiversity assets? |  |
| (b) If you agree that the deprecation treatment of asset classes should be documented, how should it be implemented — through the NER, AER guidelines and/or other methods? |  |

**CHAPTER 12** – ASSESSMENT FRAMEWORK

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| Do you agree with the proposed assessment framework? Are there additional principles that  the Commission should take into account or are there principles that are not relevant? |  |