

Australian Energy Market Commission  
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Lodged online: [www.aemc.gov.au](http://www.aemc.gov.au)

14 July 2023

**NATIONAL ELECTRICITY AMENDMENT (CONCESSIONAL FINANCE FOR TRANSMISSION NETWORK SERVICE PROVIDERS) RULE – Consultation paper**

The Australian Energy Council welcomes the opportunity to make a submission to the National Electricity Amendment (concessional finance for TNSPs) rule – Consultation paper (Consultation paper).

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

For the AEMC’s convenience this submission lists every question (underlined) and the AEC’s response.

Do you agree that the Rules need to recognise concessional finance to share benefits with consumers?

The AEC is fully supportive of changing the NER to recognise concessional finance and enable the benefits that TNSPs receive be passed through to consumers.

Do you agree that the TNSP should notify the AER about the existence of a concessional finance arrangement?

The AEC agrees that the TNSP should notify the AER about the existence of a concessional finance arrangement. The AEC also supports this information being in the public domain.

Do you agree with the types of information that should be provided to the AER, as detailed in the rule change request, and that the TNSP be required to provide the information?

The AEC agrees with all the information in the Consultation being provided to the AER. With respect to the final point,

*“A statement from the TNSP as to whether the GFB intended that some or all of the value*

*of the concessional finance be treated as a capital contribution.”*

The AEC would prefer that the TNSP provides a statement from the GFB as to how it would like the value of the concessional finance to be shared with consumers. Furthermore, restricting the treatment to capital contribution seems unnecessarily narrow. For example, the financial benefit from the GFB may be in the form of a guarantee or a below market price credit wrap. More effective wording could be:

*“The TNSP to provide a statement from the GFB stating whether it intended to share some or all of the value of the concessional finance with transmission users.”*

Do you agree that the AER should confirm the amount to be treated as a benefit to consumers and/or TNSPs with the TNSP and the GFB?

Yes.

Do you agree that this amount should be treated as either a capital contribution and deducted from the RAB or as a MAR adjustment? Do you prefer one method over another? Why?

Either technique is appropriate, however a MAR adjustment would not create any of the tax issues associated deducting it from the RAB. If it were to be a MAR adjustment, one approach might involve lowering the return on debt allowance. The AEC suggests that the AER is probably the appropriate entity to determine the most effective approach.

Do you agree the AER should be required to seek submissions from the government funding body: To ensure benefits are

- passed on to customers and/or TNSPs as intended, and
- to determine whether they intended that some or all of the benefit of the concessional finance be treated as a capital contribution or a MAR adjustment, if required?

If not, how should the AER confirm intent and treatment of consumer benefits?

The AER agrees that the AER should be required to seek submissions from the GFB however as stated previously we consider the AER should be responsible for making the decision whether to adjust the MAR or treat the benefits of concessional finance as a capital contribution.

Do you think the proposed solution is the most appropriate way to share benefits of concessional finance with consumers, or is there another more effective solution that could be implemented (including non-rules based solutions)?

The AEC supports the proposed solution and does not support non-rules based alternatives.

Do you think the proposed solution:

- a. is targeted, fit for purpose and proportionate to the issues it is intended to address?
- b. considers the broader direction of reforms in transmission infrastructure?
- c. provides for simplicity and transparency in regulatory arrangements?

The AEC agrees with these statements.

Costs and benefits of the proposed solution What do you think the direct and indirect costs and benefits of the proposed solution are likely to be? Are the costs likely to be proportionate to the problem they are intended to address?

The benefit of the proposed solution is clear, TNSPs will have to pass on the benefits of concessional finance to consumers. The AEC does not agree with the perceived notion that TNSPs need to be subsidised by taxpayers to build necessary transmission as the current regulatory regime provides relatively generous returns for investors as evidenced by transaction values with RAB multiples ranging from 1.5 to 1.8.

The AEC agrees that any costs are likely to be minimal and administrative in nature.

Do you have any suggestions regarding the commencement timeframe?

The rule change should proceed as rapidly as possible within the AEMC's established rule making processes.

Are there additional measures that should be considered that would support the effective implementation of the desired solution?

The AEC is not aware of any.

Compliance and enforcement Do you have any feedback on the compliance and enforcement role proposed for the AER?

The AEC supports the proposed compliance and enforcement role for the AER.

Can you share any alternative solutions that you think would be preferable and more aligned with the long-term interests of consumers?

The AEC is not aware of any.

Do you agree with the proposed assessment framework?

Yes.

Any questions about this submission should be addressed to me directly, by email to [peter.brook@energycouncil.com.au](mailto:peter.brook@energycouncil.com.au) or by telephone on 03 9206 3103.

Yours sincerely,



Peter Brook  
**Wholesale Policy Manager**