



# INFORMATION

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## Sharing concessional finance benefits with consumers

### The Commission has made a more preferable draft rule which would enable the benefits of concessional finance to be shared with consumers

**We are seeking stakeholder feedback on our draft determination:** Written submissions responding to this draft determination and draft rule must be lodged with the Commission by **8 February 2024**.

Our draft determination is in response to the rule change request submitted by The Honourable Chris Bowen MP, Commonwealth Minister for Climate Change and Energy (Minister), on 11 April 2023. The rule change request seeks to allow the sharing of concessional finance benefits with consumers, including enabling the AER to allow an agreed benefit to be passed onto consumers.

### Our draft rule supports the timely sharing of concessional finance benefits with consumers through lower costs

The Commission has made a more preferable draft rule which would enable the benefits of concessional finance provided by a government funding body (GFB) to transmission and distribution network service providers (NSPs) to be shared with consumers in the form of lower network tariffs.

A rule change is required because the NER does not explicitly allow for the sharing of concessional finance benefits with consumers. The mechanism for sharing of benefits also needs to be set out.

Our draft rule addresses this by introducing a transparent and predictable mechanism in the revenue-setting framework that facilitates the timely sharing of concessional finance benefits with consumers in the NER and allows for the NSP and GFB to agree to:

- An amount to be passed through to transmission or distribution network users, or
- Reduce the value of specified assets in the Regulated Asset Base (RAB), or
- Combination of both.

The NSP would be required to provide the AER with an agreement co-signed by the GFB (the agreement) setting out these agreed reductions. This is because it is the GFB's role to determine the concessional finance benefits that get passed through to consumers.

### Stakeholder support for transparency and predictability shaped our more preferable draft rule

Stakeholders supported a mechanism to enable the AER to facilitate the sharing of concessional finance benefits with consumers, as agreed between the GFB and NSP.

We consider that our more preferable draft rule strikes an appropriate balance between transparent and predictable provision of information to the AER in the form of the agreement signed by the GFB and NSP that details the sharing of concessional finance benefits with consumers including the agreed value and mechanism, while also empowering the AER to consult with the relevant NSP and GFB and to ask for the information that it needs to facilitate the sharing of benefits.

A number of stakeholders proposed expanding the scope of the rule change to the distribution network, in addition to transmission, in order to give effect to the intent of the rule change and concessional finance programs including the Rewiring the Nation fund.

Our more preferable rule applies to distribution NSPs, as well as transmission NSPs, and

better advances the NEO as it promotes outcomes for consumers through providing clarity and transparency in regulatory arrangements that will enable market participants and investors to make efficient investment decisions. This is because concessional finance can be provided to support the delivery of electricity distribution network infrastructure with the benefits also shared with consumers.

### **Our more preferable draft rule contributes to achieving the NEO**

The more preferable draft rule would contribute to achieving the NEO by:

- **Improving outcomes for consumers** – the draft rule, assessed against our assessment criteria ‘outcomes for consumers’, would deliver benefits to consumers by facilitating lower costs from the provision of concessional finance.
- **Providing a transparent and predictable framework** – consistent with our assessment criteria ‘principles of good regulatory practice’ – the draft rule provides for a simple and transparent mechanism that would provide NSPs, GFBs, and other parties with certainty about what information the AER requires to facilitate the sharing of concessional finance benefits with consumers.
- **Supporting emissions reduction** – the draft rule would facilitate the shift to net zero by enabling the provision of concessional finance and the sharing of benefits with consumers to be facilitated in a timely manner to support key infrastructure.
- **Supporting efficient market arrangements** – the draft rule, assessed against our assessment criteria ‘principles of market efficiency’ appropriately allocates the risk on the GFBs and NSPs to agree on the benefits of concessional finance to be shared with consumers and provides certainty to the AER through the disclosure of documented agreement, which forms the basis upon which the AER facilitates the benefits to be shared with consumers.

We consider that our more preferable draft rule would not impose any material costs on consumers, NSPs or any other market participant.

### **We are holding a public forum on the draft determination**

We will hold a public forum webinar on **15 December 2023**.

The purpose of the forum is to provide an overview of the draft determination and to give stakeholders an opportunity to ask questions.

Interested stakeholders can register [here](#) for the forum.

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14 December 2023