



8 February 2024

Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2000

Lodged electronically: aemc@aemc.gov.au

Reference: ERC0348

Dear Sir/Madam,

RE: Submission to AEMC Accommodating financeability in the regulatory framework, Draft Rule Determination

Origin Energy (Origin) appreciates the opportunity to provide a response to the Australian Energy Market Commission's (AEMC) Accommodating financeability in the regulatory framework, Draft Rule Determination. We are generally supportive of the AEMC's proposed rule to address financeability challenges that could arise for actionable Integrated System Plan (ISP) projects.

We consider that allowing transmission network service providers (TNSPs) to propose amended depreciation profiles for actionable ISP projects is an appropriate means to address financeability concerns. Where the AER confirms a financeability issue and undertakes a cashflow adjustment, we consider that depreciation should be accelerated to the minimum extent possible in order to minimise the impact on customer bills.

We support the proposed approach to identifying a financeability problem that utilises the existing regulatory metrics i.e., using the prevailing post-tax revenue model to determine the TNSP's maximum allowed revenue to assess the incremental impact of an ISP project. We consider that the degree of prescription proposed to be included in the rule is sufficient to provide transparency and consistency for TNSPs, while providing flexibility for the Australian Energy Regulator (AER) to determine how the financeability test is ultimately applied.

We agree with the requirement for the AER to develop financeability guidelines setting out how the AER will determine the financeability position, including the proposed financial metrics and how these would be applied; and the information required in a TNSP's application to vary depreciation. These guidelines will provide TNSPs with increased clarity on the AER's assessment approach in advance of committing to actionable ISP projects.

We also consider that the proposed rule allows sufficient flexibility for the AER to determine how an identified financeability issue is addressed. Providing the AER with the discretion to determine how depreciation (or other measures) is applied allows the AER to incorporate consideration of customer impacts in its decisions.

We appreciate the AEMC clarifying that the rules already allow the AER to depreciate transmission assets on an as incurred basis, including for ISP projects. This will provide the AER with an additional alternative to address financeability issues if deemed appropriate. We agree there is benefit in the AER clarifying its approach to depreciation in the financeability guidelines. We are particularly interested in the potential depreciation of biodiversity assets, including land purchased to meet biodiversity offset obligations. We consider it incumbent on the AER to outline how it intends to treat these assets including how the effective asset lives will be determined.

We agree that the impact of any relevant concessional finance should be considered in conducting the financeability test to ensure that any benefit received by a TNSP via concessional finance is incorporated in the financeability assessment and any associated cashflow adjustment. Given the potential to impact the overall financeability of a TNSP, we consider that *all* concessional finance agreements entered into after 14 December 2023 (the date of this draft rule) between the TNSP and any government financing bodies in relation to actionable ISP projects should be considered when applying the financeability test.

We are supportive of the proposed transitional arrangements allowing TNSPs to request a depreciation adjustment from the commencement of the final rule i.e., before the financeability guidelines are in place. Given the importance of ISP projects, we are in favour of an expedited assessment by the AER. While the AER's assessment parameters will not yet be published, we consider the principles set out in the final rule should be sufficient to guide the AER's determination of financeability in an appropriate manner.

If you have any questions regarding this submission, please contact Gary Davies in the first instance at gary.davies@originenergy.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Derby'.

Sarah-Jane Derby
Senior Manager, Regulatory Policy