

National Electricity Rules

Indicative mark up of changes made by the draft *National Electricity Amendment (Improving the cost recovery arrangements for transmission non-network options) Rule 2024*

Note:

This is an indicative version of the changes to the National Electricity Rules made by the draft *National Electricity Amendment (Improving the cost recovery arrangements for transmission non-network options) Rule 2024*. It comprises extracts from the National Electricity Rules updated to take into account changes in rules made but not yet in force.

This document is provided for information purposes only. The actual amendments are set out in the draft *National Electricity Amendment (Improving the cost recovery arrangements for transmission non-network options) Rule 2024*.

The Australian Energy Market Commission does not guarantee the accuracy, reliability or completeness of this indicative mark-up of the National Electricity Rules.

CHAPTER 10

10. Glossary

network alternative support payment

A payment made by a *Transmission Network Service Provider* to:

- (1) any *Generator* or *Integrated Resource Provider* providing *network support services* in accordance with clause 5.3A.12; or
- (2) any other person providing a *network support service* that is an alternative to *network augmentation*.

network alternative support payment guidelines

The guidelines made by the *AER* under clause 6A.6.6A(e1).

network support event

- (a) If, at the end of a *regulatory year* of a *regulatory control period*, the amount of *network support payments* made by a *Transmission Network Service Provider* for that previous *regulatory year* is higher or lower than the amount of the *network support payment allowance* (if any) for the *Transmission Network Service Provider* for that previous *regulatory year*, this constitutes a *network support event*.
- (b) In calculating the amount for the purposes of a *network support event* referred to in paragraph (a), the amount of *network support payments* made by a *Transmission Network Service Provider* must not include an amount of *network support payments* that are a substitute for a *network augmentation* where an allowance for capital expenditure in relation to that *network augmentation* has been provided for in the *revenue determination* or an *approved pass through amount* arising from an *inertia shortfall event*.

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In Chapter 10, omit and substitute the following definitions:

...

network support event

- (a) If, at the end of a *regulatory year* of a *regulatory control period*, the amount of *network alternative support payments* made by a *Transmission Network Service Provider* for that previous *regulatory year* is higher or lower than the amount of the *network support payment allowance* (if any) for the *Transmission Network Service Provider* for that previous *regulatory year*, this constitutes a *network support event*.
- (b) [Deleted]
- (c) To the extent the *network support payments* are *system security network support payments* for which the *Transmission Network Service Provider* has made estimates under clause 6A.23.3(h)(2), then a *network support event* has occurred if the amount of *system security network support payments* made for that previous *regulatory year* is higher or lower than the sum of the expected

system security network support payments included under clause 6A.23.3(h)(2) for that previous *regulatory year*.

network support payment

Any of the following payments:

(a) ~~a *network alternative support payment*; or a payment made by a *Transmission Network Service Provider* to:~~

~~(1) any *Generator* or *Integrated Resource Provider* providing *network support services* in accordance with clause 5.3A.12; or~~

~~(2) any other person providing a *network support service* that is an *alternative to network augmentation*;~~

(b) a *system security network support payment*.

network support payment allowance

The amount of *network support payments* (if any) that is provided for a *Transmission Network Service Provider* for a *regulatory year* in:

(a) the *annual building block revenue requirement* for the *Transmission Network Service Provider* for that *regulatory year*; or

(b) any *approved pass through amount* for the *Transmission Network Service Provider* for that *regulatory year* arising from an *inertia shortfall event*,

less the amount (expressed as a positive) of avoided *network support payments* (if any) that is provided for in any *required pass through amount* for the *Transmission Network Service Provider* for that *regulatory year* arising from an *inertia shortfall event*.

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In Chapter 10, omit and substitute the following definitions:

network support payment allowance

The amount of *network alternative support payments* (if any) that is provided for a *Transmission Network Service Provider* for a *regulatory year* in the *annual building block revenue requirement* for the *Transmission Network Service Provider* for that *regulatory year*, as may be adjusted under clause 6A.7.2A.

CHAPTER 6A



6A. Economic Regulation of Transmission Services

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Part B Transmission Determinations Generally

6A.2 Transmission determinations

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6A.2.3 Guidelines

- (a) The *AER*:
- (1) must make and *publish* the *Shared Asset Guidelines*, the *Capital Expenditure Incentive Guidelines*, the *Expenditure Forecast Assessment Guidelines*, the *Transmission Confidentiality Guidelines*, the *Cost Allocation Guidelines*, the *information guidelines*, *the network alternative support payment guidelines* and the *pricing methodology guidelines* in accordance with the *Rules*; and
 - (2) may, in accordance with the *transmission consultation procedures*, make and publish guidelines as to any other matters relevant to this Chapter.
- (b) A guideline may relate to a specified *Transmission Network Service Provider* or *Transmission Network Service Providers* of a specified class.
- (c) Except as otherwise provided in this Chapter, a guideline is not mandatory (and so does not bind the *AER* or anyone else) but, if the *AER* makes a *transmission determination* that is not in accordance with the guideline, the *AER* must state, in its reasons for the *transmission determination*, the reasons for departing from the guideline.
- (d) If a guideline indicates that there may be a change of regulatory approach in future *transmission determinations*, the guideline should also (if practicable) indicate how transitional issues are to be dealt with.
- (e) Subject to paragraph (f), the *AER* may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace a guideline.
- (f) The *AER* may make administrative or minor amendments to any guideline without complying with the *transmission consultation procedures*.
- (g) This clause 6A.2.3 does not apply to the *Transmission Ring-Fencing Guidelines*.

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In clause 6A.2.3(g), after “*Transmission Ring-Fencing Guidelines*” insert “or the *system security network support payment guidelines*.”

Part C Regulation of Revenue - Prescribed Transmission Services

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6A.6 Matters relevant to the making of revenue determinations

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6A.6.6 Forecast operating expenditure

- (a) A *Revenue Proposal* must include the total forecast operating expenditure for the relevant *regulatory control period* which the *Transmission Network Service Provider* considers is required in order to do each of the following (the *operating expenditure objectives*):
- (1) meet or manage the expected demand for *prescribed transmission services* over that period;
 - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *prescribed transmission services*;
 - (3) to the extent that there is no applicable *regulatory obligation or requirement* in relation to:
 - (i) the quality, reliability or security of supply of *prescribed transmission services*; or
 - (ii) the reliability or security of the *transmission system* through the supply of *prescribed transmission services*,to the relevant extent:
 - (iii) maintain the quality, reliability and security of supply of *prescribed transmission services*; and
 - (iv) maintain the reliability and security of the *transmission system* through the supply of *prescribed transmission services*;
 - (4) maintain the safety of the *transmission system* through the supply of *prescribed transmission services*; and
 - (5) contribute to achieving *emissions reduction targets* through the supply of *prescribed transmission services*.
- (b) The forecast of required operating expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal* must:
- (1) comply with the requirements of any relevant *regulatory information instrument*;
 - (2) be for expenditure that is properly allocated to *prescribed transmission services* in accordance with the principles and policies set out in the *Cost Allocation Methodology* for the *Transmission Network Service Provider*; and
 - (3) include both:
 - (i) the total of the forecast operating expenditure for the relevant *regulatory control period*; and

- (ii) the forecast operating expenditure for each *regulatory year* of the relevant *regulatory control period*.
- (c) Subject to paragraph (c1), the *AER* must accept the forecast of required operating expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal* if the *AER* is satisfied that the total of the forecast operating expenditure for the *regulatory control period* reasonably reflects each of the following (the *operating expenditure criteria*):
- (1) the efficient costs of achieving the *operating expenditure objectives*;
 - (2) the costs that a prudent operator would require to achieve the *operating expenditure objectives*; ~~and~~
 - (3) a realistic expectation of the demand forecast, cost inputs and other relevant inputs required to achieve the *operating expenditure objectives*; and
 - (4) if applicable, a methodology determined by the *AER* under clause 6A.6.6A or clause 6A.7.2A.
- (c1) If:
- (1) a *Transmission Network Service Provider* made *network support payments* in accordance with a relevant agreement for *network support services* in the previous *regulatory control period*; and
 - (2) the *Transmission Network Service Provider* must continue to make *network support payments* to fulfil obligations under the relevant agreement for *network support services* in the relevant *regulatory control period*,
- the *AER* must accept the forecast of required operating expenditure of the *Transmission Network Service Provider* included in a *Revenue Proposal* in relation to the remainder of costs, required to meet obligations under the relevant agreement for *network support services* in the relevant *regulatory control period*.
- (c2) If applicable, in considering whether the *Transmission Network Service Provider* must continue to make *network support payments* to fulfil obligations under the relevant agreement for *network support services* in the relevant *regulatory control period* under sub-paragraph (c1)(2), the *AER* must have regard to any methodology that has been determined under clause 6A.6.6A or clause 6A.7.2A relevant to that agreement for *network support services*.
- (d) Subject to paragraph (c1), if the *AER* is not satisfied as referred to in paragraph (c), it must not accept the forecast of required operating expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal*.
- (e) In deciding whether or not the *AER* is satisfied as referred to in paragraph (c), the *AER* must have regard to the following (the *operating expenditure factors*):
- (1) **[Deleted]**
 - (2) **[Deleted]**

- (3) **[Deleted]**
- (4) the most recent *annual benchmarking report* that has been published under rule 6A.31 and the benchmark operating expenditure that would be incurred by an efficient *Transmission Network Service Provider* over the relevant *regulatory control period*;
- (5) the actual and expected operating expenditure of the *Transmission Network Service Provider* during any preceding *regulatory control periods*;
- (5A) the extent to which the operating expenditure forecast includes expenditure to address the concerns of electricity consumers as identified by the *Transmission Network Service Provider* in the course of its engagement with electricity consumers;
- (6) the relative prices of operating and capital inputs;
- (7) the substitution possibilities between operating and capital expenditure;
- (8) whether the operating expenditure forecast is consistent with any incentive scheme or schemes that apply to the *Transmission Network Service Provider* under clauses 6A.6.5, 6A.7.4, 6A.7.5 or 6A.7.6;
- (9) the extent the operating expenditure forecast is referable to arrangements with a person other than the *Transmission Network Service Provider* that, in the opinion of the *AER*, do not reflect arm's length terms;
- (10) whether the operating expenditure forecast includes an amount relating to a project that should more appropriately be included as a *contingent project* under clause 6A.8.1(b);
- (11) the most recent *Integrated System Plan* and any submissions made by *AEMO*, in accordance with the *Rules*, on the forecast of the *Transmission Network Service Provider's* required operating expenditure;
- (12) the extent to which the *Transmission Network Service Provider* has considered and made provision for efficient and prudent *non-network options*;
- (13) any relevant *project assessment conclusions report* required under clauses 5.16.4 or 5.16A.4; and

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In clause 6A.6.6(e)(13), omit “and” at the end of the subparagraph.

After clause 6A.6.6(e)(13), insert:

- (13a) the extent to which the operating expenditure forecast includes expenditure that was subject to a determination by the *AER* under clause 6A.6.6A or 6A.7.2A; and

- (14) any other factor the *AER* considers relevant and which the *AER* has notified the *Transmission Network Service Provider* in writing, prior to

the submission of its revised *Revenue Proposal* under clause 6A.12.3, is an *operating expenditure factor*.

(f) **[Deleted]**

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After clause 6A.6.6, insert:

6A.6.6A AER power to make ~~advance~~ determinations with regard to future operating expenditure

~~(a)~~ ~~(a) Subject to paragraph (a1),~~ The AER may, on application by a *Transmission Network Service Provider*, make a determination that:

~~(1)~~ expenditure for a proposed *system security network support payment*; or

~~(2)~~ a methodology for ~~such payments~~ *a system security network support payment or network alternative support payment*,

specified in the determination, will be consistent with:

~~(3)~~ the *operating expenditure objectives*;

~~(4)~~ the *operating expenditure criteria*;

~~(5)~~ the *operating expenditure factors*; and

~~(6)~~ the factors in clause 6A.7.2(i) relevant to a *system security network support payment*.

~~(a1)~~ A *Transmission Network Service Provider* may only make an application under paragraph (a) for a methodology for a *network alternative support payment*:

~~(1)~~ as part of a *Revenue Proposal*; or

~~(2)~~ in conjunction with an application to adjust the *network support payment allowance* under clause 6A.7.2A for a *network alternative support payment* related to that methodology.

(b) An application submitted by a *Transmission Network Service Provider* under paragraph (a) must comply with any relevant requirements in the *system security network support payment guidelines* or *network alternative support payment guidelines* (as applicable).

(c) The AER may (but is not required to) consult in a manner it considers appropriate on the application submitted under paragraph (a) before making a determination.

(d) A determination made by the AER under paragraph (a) must be consistent with the *system security network support payment guidelines* or *network alternative support payment guidelines* (as applicable).

(e) The AER must make and publish, and may amend, guidelines (*system security network support payment guidelines*) that set out in respect of *system security network support payments*:

(1) the information to be included in an application submitted under paragraph (a);

- (2) any eligibility criteria or thresholds that will apply for *system security network support payments* before the *AER* will accept an application for under paragraph (a);
- (3) the process and timeframes for the *AER* to make its determination under paragraph (a);
- (4) the relevant factors the *AER* must consider in making its determination under paragraph (a); and
- (5) any other matters the *AER* considers relevant.

(e) The *AER* must make and *publish*, and may amend, guidelines (*network alternative support payment guidelines*) that set out in respect of *network alternative support payments*:

- (1) the information to be included in an application submitted under paragraph (a) or clause 6A.7.2A(a);
- (2) any eligibility criteria or thresholds that will apply before the *AER* will accept an application under paragraph (a) or clause 6A.7.2A(a);
- (3) the process and timeframes for the *AER* to make its determination under paragraph (a) and clause 6A.7.2A(a);
- (4) the relevant factors the *AER* must consider in making its determination under paragraph (a) and clause 6A.7.2A(a); and
- (5) any other matters the *AER* considers relevant.

(f) The *transmission consultation procedures* do not apply to the making or amendment of the *system security network support payment guidelines*.

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6A.7 Matters relevant to the adjustment of revenue cap after making of revenue determination

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6A.7.2 Network support pass through

- (a) This clause applies where a *network support event* occurs with respect to a *regulatory year* ('the **previous regulatory year**').
- (b) If a *network support event* occurs, a *Transmission Network Service Provider* must seek a determination by the *AER* to pass through to *Transmission Network Users* a *network support pass through amount*.
- (c) Where a *Transmission Network Service Provider* seeks a determination as referred to in paragraph (b), the provider must, within 60 *business days* of the end of the previous *regulatory year*, submit to the *AER* a written statement which specifies:
 - (1) the details of the *network support event* including whether the event was a *negative network support event* or a *positive network support event*;

- (2) the amount that the provider proposes should be passed through to *Transmission Network Users* in the *regulatory year* following the previous *regulatory year* as a result of the *network support event*;
- (3) evidence:

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In clause 6A.7.2(c)(3), before “evidence”, insert “except to the extent subparagraph (4) applies,”.

- (i) of the actual increase in the amount of *network support payments*, including certification by an independent and appropriately qualified expert; and
 - (ii) that such amounts occur solely as a consequence of the positive *network support event*; and
- (4) such other information as may be required pursuant to the any relevant *regulatory information instrument*.

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Omit clause 6A.7.2(c)(4), and substitute:

- (4) for a *network support event* related to a *system security network support payment*, evidence:
 - (i) of the actual costs of *system security network support payments*, irrespective of whether that resulted in a *negative network support event* or a *positive network support event*, including certification by an independent and appropriately qualified expert; and
 - (ii) for a *positive network support event*, that such amounts occur solely as a consequence of the *positive network support event*; and
- (5) such other information as may be required pursuant to any relevant *regulatory information instrument*.

- (d) If the *AER* determines that a *positive network support event* has occurred in respect of a statement under paragraph (c), the *AER* must determine the *network support pass through amount*, taking into account the matters referred to in paragraph (i).
- (e) If the *AER* does not make the determination referred to in paragraph (d) within 60 *business days* from the date it receives the *Transmission Network Service Provider's* statement and accompanying evidence under paragraph (c), then, on the expiry of that period, the *AER* is taken to have determined that the amount as proposed in the *Transmission Network Service Provider's* statement under paragraph (c) is the *network support pass through amount*.
- (f) If a *negative network support event* occurs (whether or not the occurrence of that event is notified by the provider to the *AER* under paragraph (c)) and the *AER* determines to impose a requirement on the *Transmission Network Service Provider* in relation to that *negative network support event*, the *AER*

must determine the *network support pass through amount* taking into account the matters referred to in paragraph (i).

- (g) A *Transmission Network Service Provider* must provide the *AER* with such information as the *AER* requires for the purpose of making a determination under paragraph (f) within the time specified by the *AER* in a notice provided to the provider by the *AER* for that purpose.

Consultation

- (h) Before making a determination under paragraph (d) or (f), the *AER* may consult with the relevant *Transmission Network Service Provider* and such other persons as the *AER* considers appropriate, on any matters arising out of the relevant *network support event* as the *AER* considers appropriate.

Relevant factors

- (i) In making a determination under paragraph (d) or (f), the *AER* must take into account:
- (1) the matters and proposals set out in any statement given to the *AER* by the *Transmission Network Service Provider* under paragraph (c);
 - (2) in the case of a *positive network support event*, the increase in costs in the provision of *prescribed transmission services* that the provider has incurred in the preceding *regulatory year* as a result of the *positive network support event*;

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In clause 6A.7.2(i)(2), before “in the case of”, insert “except to the extent subparagraph (3a) applies,”.

- (3) in the case of a *positive network support event*:
- (1) the efficiency of the *Transmission Network Service Provider's* decisions and actions in relation to the risk of the event, including whether the provider has failed to take any action that could reasonably be taken to reduce the magnitude of the *positive network support event* and whether the provider has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that event;
and
 - (2) if applicable, a determination made by the *AER* under clause 6A.6.6A or clause 6A.7.2A.

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In clause 6A.7.2(i)(3), before “in the case of”, insert “except to the extent subparagraph (3a) applies,”.

After clause 6A.7.2(i)(3), insert:

- (3a) in the case of a *network support event* to which a *system security network support payment* relates (for both a *negative network support event* and a *positive network support event*):

- (i) the total costs for *system security network support payments* the *Transmission Network Service Provider* incurred in the preceding *regulatory year*;
- (ii) the efficiency of the *Transmission Network Service Provider's* decisions and actions in relation to the risk of the event, including whether the provider has failed to take any action that could reasonably be taken to reduce the magnitude of the *system security network support payments* and whether the provider has taken, or omitted to take, any action where such action or omission has increased the magnitude of the amount in respect of that event; and
- (iii) if applicable, a determination made by the *AER* under clause 6A.6.6A.

- (4) the time cost of money based on the *allowed rate of return* for the provider for the relevant *regulatory control period*;
- (5) the need to ensure that the provider only recovers any actual increment in costs under this paragraph (i) to the extent that such increment is solely as a consequence of a *network support event*; and
- (6) any other factors the *AER* considers relevant.

6A.7.2A Adjusting the network support payment allowance

- (a) The *AER* may, on application by a *Transmission Network Service Provider* during a *regulatory control period*, make a determination to:
 - (1) adjust the *network support payment allowance*; and/or
 - (2) adjust a methodology for a *network alternative support payment* previously determined under clause 6A.6.6A or this clause 6A.7.2A, for that *Transmission Network Service Provider* in respect of any remaining *regulatory year* of that *regulatory control period*.
- (b) An application submitted by a *Transmission Network Service Provider* under paragraph (a) must comply with:
 - (1) the *operating expenditure objectives*;
 - (2) the *operating expenditure criteria*;
 - (3) the *operating expenditure factors*; and
 - (4) any relevant requirements in the *network alternative support payment guidelines*.
- (c) The *AER* may (but is not required to) consult in a manner it considers appropriate on the application submitted under paragraph (a) before making a determination.
- (d) A determination made by the *AER* under paragraph (a) must be consistent with:
 - (1) the *network alternative support payment guidelines*; and

(2) if applicable to an adjustment to the *network support payment allowance*, a methodology determined under clause 6A.6.6A or this clause 6A.7.2A.

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6A.22 Terms used in Part J

6A.22.1 Aggregate annual revenue requirement (AARR)

For the purposes of this Part J, the *aggregate annual revenue requirement (AARR)* for *prescribed transmission services* provided by a *Transmission Network Service Provider*, is the *maximum allowed revenue* referred to in clause 6A.3.1 adjusted:

- (1) in accordance with clause 6A.3.2;
- (2) by subtracting:
 - (i) the operating and maintenance costs expected to be incurred in the provision of *prescribed common transmission services*; and
 - (ii) ~~[Deleted]the *network support payment allowance for a regulatory year for the Transmission Network Service Provider that relates to system security network support payments*; and~~
 - (iii) any adjustments under clause 6A.7.2 that relate to a reconciliation in a previous *regulatory year* of expected *system security network support payments* with actual *system security network support payments*;
- (3) by any allocation as agreed between *Transmission Network Service Providers* in accordance with clause 6A.29.3.