



National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No.22

under the National Electricity Law as applied by:

- (a) the National Electricity (South Australia) Act 1996;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (d) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (e) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (f) the National Electricity (Victoria) Act 2005 of Victoria; and
- (g) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

A handwritten signature in blue ink, appearing to read "John Tamblyn".

John Tamblyn

Chairman

Australian Energy Market Commission

21/12/06

National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No.22

1. Title of Rule

This Rule is the *National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No.22*.

2. Commencement

This Rule commences operation on 28 December 2006.

3. Amendment of National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

- (i) where the *Connection Applicant* is an *Embedded Generator*, if that *Embedded Generator* had not injected any *energy* at its *connection point* during that *financial year*;
 - (ii) where the *Connection Applicant* is a *Market Network Service Provider*, if the *Market Network Service Provider* had not been *connected* to the *Distribution Network Service Provider's distribution network* during that *financial year*; and
- (2) determine the amount by which the charges calculated in subparagraph (1) exceed the amount for the locational component of *prescribed TUOS services* actually payable by the *Distribution Network Service Provider*, which amount will be the relevant amount for the purposes of paragraph (h).
- (j) Where prices for the locational component of *prescribed TUOS services* were not in force at the relevant *distribution network connection point* throughout the relevant *financial year*, as referred to in paragraph (i), the *Distribution Network Service Provider* must apply an equivalent procedure to that referred to in paragraph (i) in relation to that component of its *transmission use of system service charges* which is deemed by the relevant *Transmission Network Service Provider* to represent the marginal cost of *transmission*, less an allowance for locational signals present in the *spot market*, to determine the relevant amount for the purposes of paragraph (h).

[3] Clause 6.2.2 Objectives of the distribution service pricing regulatory regime to be administered by the Jurisdictional Regulators

Omit subparagraph (b)(4) and substitute:

- (4) provides for the recovery by *Distribution Network Service Providers* of charges for the locational component of *prescribed TUOS services* from those *Distribution Customers* that have a *metering installation* capable of capturing relevant *transmission system* and *distribution system* usage data, in a way that preserves the location and time signals of the prices for the locational component of those *prescribed TUOS services*;

[4] Rule 6.11 Separate disclosure of transmission and distribution charges

Omit paragraph (d) and substitute:

- (d) The *TUoS/DUoS disclosure statement* must also separately identify the amounts that have been allocated to the *Distribution Customer's connection point(s)* under Part J of Chapter 6A in respect of each of the *categories of prescribed transmission services*, where a *Distribution Customer* that makes a TUoS/DUoS disclosure request in accordance with clause 6.11(a) requests this information.

[5] Rule 6A.1

Omit clauses 6A.1.1–7 and substitute:

6A.1.1 Economic regulation of transmission services generally

- (a) Part B of this Chapter 6A states the general obligation of the *AER* to make *transmission determinations* for *Transmission Network Service Providers* in respect of:
 - (1) *prescribed transmission services*; and
 - (2) *negotiated transmission services*.
- (b) Part C of this Chapter 6A regulates the revenues that may be earned by *Transmission Network Service Providers* from the provision by them of *transmission services* that are the subject of *transmission determinations*.
- (c) Part D of this Chapter 6A regulates the *terms and conditions of access* to be applied (including the prices that may be charged) by *Transmission Network Service Providers* for the provision by them of *negotiated transmission services*.
- (d) Part E of this Chapter 6A sets out the procedure that applies for the purposes of the *AER* making a *transmission determination*.
- (d) Part F of this Chapter 6A contains provisions regarding the disclosure, use and protection of information.
- (e) Part G of this Chapter 6A contains provisions regarding cost allocation.
- (f) Part H of this Chapter 6A contains provisions regarding the *transmission consultation procedures*.
- (g) Part I of this Chapter 6A contains provisions regarding *Transmission Ring-Fencing Guidelines*.
- (h) Part J of this Chapter 6A regulates the prices that may be charged by *Transmission Network Service Providers* for the provision of *prescribed transmission services* and establishes principles to be applied by providers in setting prices that allow those providers to earn the whole of the *aggregate annual revenue requirement*.

- (i) Part K of this Chapter 6A provides for a *commercial arbitrator* to be appointed to resolve *transmission services access disputes* in relation to the *terms and conditions of access* for the provision of *negotiated transmission services* and for *prescribed transmission services*.
- (j) Other *transmission services* provided by *Transmission Network Service Providers* (*'non-regulated transmission services'*) are not subject to regulation under this Chapter 6A.

6A.1.2 Meaning of terms and conditions of access for transmission services

For the purposes of the economic regulation of *prescribed transmission services* and *negotiated transmission services*, the *terms and conditions of access*:

- (a) in relation to *negotiated transmission services*, are:
 - (1) the price of those services (including, for services provided under clause 5.4A, *access charges*); and
 - (2) other terms and conditions for the provision of those *negotiated transmission services*,under Chapters 4, 5 and this Chapter 6A of the *Rules*; and
- (b) in relation to *prescribed transmission services*, are:
 - (1) the price of those services as determined under the *pricing methodology* of the relevant *Transmission Network Service Provider*; and
 - (2) other terms and conditions for the provision of those *prescribed transmission services*,under Chapters 4, 5 and this Chapter 6A of the *Rules*.

6A.1.3 Access to prescribed and negotiated transmission services

Subject to and in accordance with the *Rules*:

- (1) a person who is an existing or intending *Registered Participant*, or a person who is eligible to become a *Registered Participant* (*'a Service Applicant'*) may apply to a *Transmission Network Service Provider* for provision of *prescribed transmission services* or *negotiated transmission services*.
- (2) a *Transmission Network Service Provider* must provide *prescribed transmission services* or *negotiated transmission services* (as the case may be) on *terms and conditions of access* that are consistent with the requirements of Chapters 4, 5 and this Chapter 6A of the *Rules*.
- (3) a *Transmission Network Service Provider* or a person who is provided *prescribed transmission services* or *negotiated transmission services* (whether the person is provided those services under an agreement, as a result of a determination of a *commercial arbitrator* or otherwise

under the *Rules*) must not engage in conduct for the purpose of preventing or hindering access to those services.

6A.1.4 National regulatory arrangements

- (a) The *AER* is, in accordance with this Chapter 6A, responsible for the economic regulation of *prescribed transmission services* provided by *Transmission Network Service Providers* by means of, or in connection with, *transmission systems* that form part of the *national grid*.
- (b) Subject to the agreement of the *AER* and the relevant *Jurisdictional Regulator*, those parts of a *transmission network* operating at nominal *voltages* between 66kV and 220kV that:
 - (1) do not operate in parallel to; and
 - (2) do not provide support to,the higher *voltage transmission network* may be deemed by the relevant *Transmission Network Service Provider* to be subject to the regulatory arrangements for *distribution service* pricing set out in Parts A and B of Chapter 6.

6A.1.5 Application of Chapter 6A to Market Network Service Providers

- (a) Notwithstanding anything contained in this Chapter 6A:
 - (1) Parts B, C, D and J do not regulate the revenues that may be earned by *Market Network Service Providers* from, or the prices that may be charged by *Market Network Service Providers* for, the provision by them of *market network services*; and
 - (2) Part E does not apply to *Market Network Service Providers*.
- (b) Part D of this Chapter 6A does not regulate the terms and conditions of access for provision by *Transmission Network Service Providers* of *network services* provided to:
 - (1) a *Market Network Service Provider*; or
 - (2) another *Network Service Provider* for electricity delivered to a *Market Network Service Provider* through the *network* of the other *Network Service Provider* (except for any such electricity which is ultimately consumed within the other *Network Service Provider's network*).
- (c) Charges for the *network services* referred to in paragraph (b) are governed by the applicable provisions of rule 5.4A.
- (d) Part K of this Chapter 6A does not apply to disputes relating to the terms and conditions of access for *network services* referred to under this clause 6A.1.5.

[6] Clause 6A.2.2 Components of transmission determinations

Omit clause 6A.2.2 and substitute:

6A.2.2 Components of transmission determinations

A transmission determination for a Transmission Network Service Provider consists of:

- (1) a *revenue determination* for the provider in respect of the provision by the provider of *prescribed transmission services*;
- (2) a determination relating to the provider's *negotiating framework*;
- (3) a determination that specifies the *Negotiated Transmission Service Criteria* that apply to the provider; and
- (4) a determination that specifies the *pricing methodology* that applies to the provider.

[7] Clause 6A.6.4 Estimated cost of corporate income tax

In clause 6A.6.4(c) omit "1 July 2011" and substitute "1 July 2009".

[8] Chapter 6A Part D – Negotiated Transmission Services – regulation of Pricing

Omit the heading and substitute:

Part D – Negotiated Transmission Services

[9] Rule 6A.9 Regulation of pricing

Omit rule 6A.9 and substitute:

6A.9 Negotiated transmission services

6A.9.1 Principles relating to access to negotiated transmission services

The following principles constitute the *Negotiated Transmission Services Principles*:

- (1) the price for a *negotiated transmission service* should be based on the costs incurred in providing that service, determined in accordance with the principles and policies set out in the *Cost Allocation Methodology* for the relevant *Transmission Network Service Provider*;
- (2) subject to subparagraphs (3) and (4), the price for a *negotiated transmission service* should be at least equal to the avoided cost of providing it but no more than the cost of providing it on a stand alone basis;
- (3) if the *negotiated transmission service* is the provision of a *shared transmission service* that:
 - (i) exceeds the network performance requirements (if any) which that *shared transmission service* is required to meet under any *jurisdictional electricity legislation*; or
 - (ii) exceeds the *network* performance requirements set out in schedules 5.1a and 5.1,

then the differential between the price for that service and the price for the *shared transmission service* which meets (but does not exceed) the *network* performance requirements under any *jurisdictional electricity legislation* or as set out in schedules 5.1a and 5.1 (as the case may be) should reflect the increase in the *Transmission Network Service Provider's* incremental cost of providing that service;

- (4) if the *negotiated transmission service* is the provision of a *shared transmission service* that does not meet (and does not exceed) the *network* performance requirements set out in schedules 5.1a and 5.1, the differential between the price for that service and the price for the *shared transmission service* which meets (but does not exceed) the *network* performance requirements set out in schedules 5.1a and 5.1 should reflect the amount of the *Transmission Network Service Provider's* avoided cost of providing that service;
- (5) the price for a *negotiated transmission service* must be the same for all *Transmission Network Users* unless there is a material difference in the costs of providing the *negotiated transmission service* to different *Transmission Network Users* or classes of *Transmission Network Users*;
- (6) the price for a *negotiated transmission service* should be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person, in which case such adjustment should reflect the extent to which the

- costs of that asset is being recovered through charges to that other person;
- (7) the price for a *negotiated transmission service* should be such as to enable the *Transmission Network Service Provider* to recover the efficient costs of complying with all *regulatory obligations* associated with the provision of the *negotiated transmission service*;
 - (8) any *access charges* should be based on the costs reasonably incurred by the *Transmission Network Service Provider* in providing *transmission network user access* and (in the case of compensation referred to in clauses 5.4A(h) to (j)) on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in rule 5.4A(h)-(j) where an event referred to in those paragraphs occurs;
 - (9) the *terms and conditions of access* for a *negotiated transmission service* should be fair and reasonable and consistent with the safe and *reliable* operation of the *power system* in accordance with the *Rules* (for these purposes, the price for a *negotiated transmission service* is to be treated as being fair and reasonable if it complies with principles (1) to (7) of this clause 6A.9.1);
 - (10) the *terms and conditions of access* for a *negotiated transmission service* (including, in particular, any exclusions and limitations of liability and indemnities) must not be unreasonably onerous taking into account the allocation of risk between the *Transmission Network Service Provider* and the other party, the price for the *negotiated transmission service* and the costs to the *Transmission Network Service Provider* of providing the *negotiated transmission service*; and
 - (11) the *terms and conditions of access* for a *negotiated transmission service* should take into account the need for the service to be provided in a manner that does not adversely affect the safe and *reliable* operation of the *power system* in accordance with the *Rules*.

6A.9.2 Determination of terms and conditions of access for negotiated transmission services

- (a) A *Transmission Network Service Provider* must comply with:
 - (1) the provider's *negotiating framework*; and
 - (2) the provider's *Negotiated Transmission Service Criteria*,when the provider is negotiating the *terms and conditions of access* for *negotiated transmission services* to be provided to a person.
- (b) The *Transmission Network Service Provider* must also comply with Chapters 4, 5, and this Chapter 6A of the *Rules*, including the requirements of:

- (1) rules 5.3 and 5.4A, when negotiating for the provision of *connection services* and the associated *connection service charges*; and
- (2) rule 5.4A when negotiating the *use of system services charges* and *access charges* to be paid to or by a *Transmission Network User*.

6A.9.3 Negotiating framework determination

The determination specifying requirements relating to the *negotiating framework* forming part of a *transmission determination* for a *Transmission Network Service Provider* is to set out requirements that are to be complied with in respect of the preparation, replacement, application or operation of the provider's *negotiating framework*.

6A.9.4 Negotiated transmission criteria determination

- (a) The determination by the *AER* specifying the *Negotiated Transmission Service Criteria* forming part of a *transmission determination* for a *Transmission Network Service Provider* is to set out the criteria that are to be applied:
 - (1) by the provider in negotiating:
 - (i) the *terms and conditions of access* for *negotiated transmission services*, including the prices that are to be charged for the provision of those services by the provider for the relevant *regulatory control period*;
 - (ii) any *access charges* which are negotiated by the provider during that *regulatory control period*; and
 - (2) by a *commercial arbitrator* in resolving any dispute, between the *Transmission Network Service Provider* and a person who wishes to receive a *negotiated transmission service*, in relation to:
 - (i) the *terms and conditions of access* for the *negotiated transmission service*, including the price that is to be charged for the provision of that service by the provider;
 - (ii) any *access charges* that are to be paid to or by the provider.
- (b) The *Negotiated Transmission Service Criteria* must give effect to and be consistent with the *Negotiated Transmission Service Principles* set out in clause 6A.9.1.

6A.9.5 Preparation of and requirements for negotiating framework

- (a) A *Transmission Network Service Provider* must prepare a document (the *negotiating framework*) setting out the procedure to be followed during negotiations between that provider and any person (the *Service Applicant* or applicant) who wishes to receive a *negotiated transmission service* from the provider, as to the *terms and conditions of access* for provision of the service.

- (b) The *negotiating framework* for a *Transmission Network Service Provider* must comply with and be consistent with:
 - (1) the applicable requirements of a *transmission determination* applying to the provider; and
 - (2) paragraph (c), which sets out the minimum requirements for a *negotiating framework*.
- (c) The *negotiating framework* for a *Transmission Network Service Provider* must specify:
 - (1) a requirement for the provider and a *Service Applicant* to negotiate in good faith the *terms and conditions of access* for provision of the *negotiated transmission service*;
 - (2) a requirement for the provider to provide all such commercial information as a *Service Applicant* may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the *negotiated transmission service*, including the cost information described in subparagraph (3);
 - (3) a requirement for the provider:
 - (i) to identify and inform a *Service Applicant* of the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the *negotiated transmission service*; and
 - (ii) to demonstrate to a *Service Applicant* that the charges for providing the *negotiated transmission service* reflect those costs and/or the cost increment or decrement (as appropriate);
 - (4) a requirement for a *Service Applicant* to provide all such commercial information as the provider may reasonably require to enable the provider to engage in effective negotiation with that applicant for the provision of the *negotiated transmission service*;
 - (5) a reasonable period of time for commencing, progressing and finalising negotiations with a *Service Applicant* for the provision of the *negotiated transmission service*, and a requirement that each party to the negotiation must use its reasonable endeavours to adhere to those time periods during the negotiation;
 - (6) a process for dispute resolution which provides that all disputes as to the *terms and conditions of access* for provision of *negotiated transmission services* are to be dealt with in accordance with Part K of this Chapter 6A;
 - (7) the arrangements for payment by a *Service Applicant* of the provider's reasonable direct expenses incurred in processing the application to provide the *negotiated transmission service*;

- (8) a requirement that the *Transmission Network Service Provider* determine the potential impact on other *Transmission Network Users* of the provision of the *negotiated transmission service*; and
- (9) a requirement that the *Transmission Network Service Provider* must notify and consult with any affected *Transmission Network Users* and ensure that the provision of the *negotiated transmission services* does not result in non-compliance with obligations in relation to other *Transmission Network Users* under the *Rules*.
- (d) Notwithstanding the foregoing, the *negotiating framework* must not be inconsistent with any of the other requirements of Chapters 4, 5 and this Chapter 6A of the *Rules* and, in the event of any inconsistency, the other requirements in the *Rules* prevail.
- (e) Each *Transmission Network Service Provider* and *Service Applicant* who is negotiating for the provision of a *negotiated transmission service* by the provider must comply with the requirements of the *negotiating framework* in accordance with its terms.

6A.9.6 Confidential information

- (a) Commercial information which is required to be provided to a *Service Applicant* in accordance with clause 6A.9.5(c)(2):
 - (1) does not include confidential information provided to the *Transmission Network Service Provider* by another person; and
 - (2) may be provided subject to a condition that a *Service Applicant* must not provide any part of that commercial information to any other person without the consent of the *Transmission Network Service Provider* which provided the information to that applicant.
- (b) Commercial information which is required to be provided to a *Transmission Network Service Provider* in accordance with clause 6A.9.5(c)(4):
 - (1) does not include confidential information provided to a *Service Applicant* by another person; and
 - (2) may be provided subject to a condition that the provider must not provide any part of that commercial information to any other person without the consent of the *Service Applicant* which provided the information to the provider.

6A.9.7 Commercial arbitration for negotiated transmission services

Part K of this Chapter 6A applies to any dispute which may arise between a *Transmission Network Service Provider* and a *Service Applicant* as to the *terms and conditions of access* which the provider proposes to apply to the *Service Applicant* for the provision of a *negotiated transmission service*.

[10] Chapter 6A Part E – Procedure – Revenue determinations and negotiating frameworks

Omit the heading and substitute:

Part E – Procedure – Revenue determinations, negotiating frameworks and pricing methodologies

[11] Rule 6A.10 Revenue Proposal and proposed negotiating framework

Omit the heading and substitute:

6A.10 Revenue Proposal, proposed negotiating framework and proposed pricing methodology

[12] Clause 6A.10.1 Submission of proposal, framework and information

In the heading, after “**framework**” insert “, **pricing methodology**”.

[13] Clause 6A.10.1

In clause 6A.10.1(a), after the first occurring “*Revenue Proposal*” insert “and a proposed *pricing methodology*”.

[14] Clause 6A.10.1

After clause 6A.10.1(d) insert:

- (e) A proposed *pricing methodology* must:
 - (1) give effect to and be consistent with the *Pricing Principles for Prescribed Transmission Services*; and

- (2) comply with the requirements of, and contain or be accompanied by such information as is required by, the *pricing methodology guidelines* made for that purpose under rule 6A.25.

[15] Clause 6A.11.1 Preliminary examination and determination of non-compliance with submission guidelines

Omit clause 6A.11.1 (including the heading) and substitute:

6A.11.1 Preliminary examination and determination of non-compliance with relevant requirements

- (a) If the *AER* determines that:
 - (1) a *Revenue Proposal* submitted by a *Transmission Network Service Provider*;
 - (2) a proposed *negotiating framework* submitted by the provider;
 - (3) a proposed *pricing methodology* submitted by the provider; or
 - (4) information contained in or accompanying such a *Revenue Proposal*, proposed *negotiating framework*, or proposed *pricing methodology*, under clause 6A.10.1 does not comply with the requirements of:
 - (5) the *submission guidelines* (in respect of a *Revenue Proposal*);
 - (6) clause 6A.9.5 (in respect of a proposed *negotiating framework*); or
 - (7) clause 6A.10.1(e) (in respect of a proposed *pricing methodology*),

the *AER* must notify the provider of that determination as soon as practicable after receiving that *Revenue Proposal*, proposed *negotiating framework*, proposed *pricing methodology* or information (as the case may be).
- (b) A determination referred to in paragraph (a) must be accompanied by written reasons that set out:
 - (1) the respects in which the *Revenue Proposal*, proposed *negotiating framework*, proposed *pricing methodology* or information does not comply with the relevant requirements of the *submission guidelines* clause 6A.9.5, or clause 6A.10.1(e) (as the case may be) and the requirements that have not been complied with; and
 - (2) in the case of information which does not comply with those requirements, the reason that the submission of information in accordance with those requirements would assist the *AER* in assessing the *Revenue Proposal*, proposed *negotiating framework* or proposed *pricing methodology*.

[16] Clause 6A.11.2 Resubmission of proposal, framework or information

Omit clause 6A.11.2 (including the heading) and substitute:

6A.11.2 Resubmission of proposal, framework, pricing methodology or information

- (a) If the *AER* notifies a *Transmission Network Service Provider* of a determination under clause 6A.11.1, the provider must, within 1 month of that notice, resubmit its *Revenue Proposal*, proposed *negotiating framework*, proposed *pricing methodology* or the required information (as the case may be) in a form that complies with the relevant requirements set out in that determination.
- (b) A *Transmission Network Service Provider* may only make changes to its *Revenue Proposal*, proposed *negotiating framework*, or proposed *pricing methodology* for the purposes of paragraph (a) to address the matters raised in the determination under clause 6A.11.1.

[17] Clause 6A.11.3 Consultation

Omit clause 6A.11.3 and substitute:

6A.11.3 Resubmission of proposal, framework, pricing methodology or information

- (a) Except to the extent that the *submission guidelines* or the *pricing methodology guidelines* provide it will not be publicly disclosed (and, in that case, the relevant *Transmission Network Service Provider* has not otherwise consented), the *AER* must *publish*:
 - (1) the *Revenue Proposal*;
 - (2) the proposed *negotiating framework*;
 - (3) the proposed *pricing methodology*; and
 - (4) the information,
submitted or resubmitted to it by the provider under rule 6A.9, 6A.10 or this rule 6A.11, together with:
 - (5) the *AER's* proposed *Negotiated Transmission Service Criteria* for the provider; and

- (6) an invitation for written submissions on the documents and information referred to in subparagraphs (1)-(4),
- as soon as practicable after the *AER* determines that the *Revenue Proposal*, proposed *negotiating framework*, proposed *pricing methodology* and information comply with the requirements of the *submission guidelines*, clause 6A.9.5 or clause 6A.10.1(e) (as applicable).
- (b) The *AER* may *publish* an issues paper examining the issues raised in connection with the *Revenue Proposal*, the proposed *negotiating framework*, the proposed *pricing methodology* and the proposed *Negotiated Transmission Service Criteria*, at the same time as, or subsequent to, *publication* of the invitation to make submissions referred to in paragraph (a)(6).
- (c) Any person may make a written submission to the *AER* on the *Revenue Proposal*, the proposed *negotiating framework*, the proposed *pricing methodology* or the proposed *Negotiated Transmission Service Criteria* for the provider within the time specified in the invitation referred to in paragraph (a)(6), which must be not earlier than 30 *business days* after the invitation for submissions is *published* under that paragraph.

[18] Clause 6A.12.1 Making of draft decision

After clause 6A.12.1 insert:

- (e) If the *AER* refuses to approve any aspect of a proposed *pricing methodology*, the *AER*'s draft decision must include details of the changes required or matters to be addressed before the *AER* will approve the proposed methodology.

[19] Clause 6A.12.3 Submission of revised proposal or framework

Omit clause 6A.12.3 (including the heading) and substitute:

6A.12.3 Submission of revised proposal, framework or pricing methodology

- (a) In addition to making such other written submissions as it considers appropriate, the *Transmission Network Service Provider* may, not more than 30 *business days* after the publication of the draft decision, submit to the *AER*:
- (1) a revised *Revenue Proposal*;
 - (2) a revised proposed *negotiating framework*; or
 - (3) a revised proposed *pricing methodology*.

- (b) A *Transmission Network Service Provider* may only make the revisions referred to in paragraph (a) so as to incorporate the substance of any changes required by, or to address matters raised in, the draft decision.
- (c) A revised *Revenue Proposal* or revised proposed *negotiating framework* must comply with the requirements of, and must contain or be accompanied by such information as is required by, the *submission guidelines*.
- (d) The revised proposed *negotiating framework* must also comply with the requirements of clause 6A.9.5.
- (e) A revised proposed *pricing methodology* must:
 - (1) give effect to and be consistent with the *Pricing Principles for Prescribed Transmission Services*; and
 - (2) comply with the requirements of, and must contain or be accompanied by such information as is required by, the *pricing methodology guidelines*.
- (f) Except to the extent that the *submission guidelines* or the *pricing methodology guidelines* (as the case may be) provide it will not be publicly disclosed (and, in that case, the *Transmission Network Service Provider* has not otherwise consented), the *AER* must *publish*:
 - (1) any revised *Revenue Proposal*;
 - (2) any revised proposed *negotiating framework*; or
 - (3) any revised proposed *pricing methodology*,(as the case may be), that is submitted by the *Transmission Network Service Provider* under paragraph (a), together with the accompanying information, as soon as practicable after receipt by the *AER*.

[20] Clause 6A.13.1 Making of final decision

Omit clause 6A.13.1(a) and substitute:

- (a) Subject to rule 6A.16(a), the *AER* must consider any submissions made on the draft decision, or on any revised *Revenue Proposal*, revised proposed *negotiating framework* or revised proposed *pricing methodology* submitted to it under clause 6A.12.3, and must make a final decision in relation to the *Transmission Network Service Provider*.

[21] Clause 6A.13.2 Refusal to approve amounts, values or framework

Omit the heading and substitute:

6A.13.2 Refusal to approve amounts, values, framework or pricing methodology

[22] Clause 6A.13.2

After clause 6A.13.2 insert:

- (d) If the *AER's* final decision is to refuse to approve the proposed *pricing methodology*, the *AER* must include in its final decision an amended *pricing methodology* which is:
 - (1) determined on the basis of the current proposed *pricing methodology*; and
 - (2) amended from that basis only to the extent necessary to enable it to be approved in accordance with the *Rules*.

[23] Clause 6A.14.1 Contents of decisions

At the end of clause 6A.14.1(6) omit “and” and at the end of clause 6A.14.1(7), omit the full stop and insert:

- ; and
- (8) on the *Transmission Network Service Provider's* current proposed *pricing methodology*, in which the *AER* either approves or refuses to approve that methodology and sets out reasons for its decision.

[24] Clause 6A.14.3 Circumstances in which matters must be approved or accepted

Omit clause 6A.14.3 (g) and (h) and substitute:

- (g) The *AER* must approve a *Transmission Network Service Provider's* current proposed *pricing methodology* if the *AER* is satisfied that the methodology:
 - (1) gives effect to and is consistent with the *Pricing Principles for Prescribed Transmission Services*; and
 - (2) complies with the requirements of the *pricing methodology guidelines*.
- (h) If a *Transmission Network Service Provider's* revised *Revenue Proposal*, revised proposed *negotiating framework* or revised proposed *pricing methodology* (as the case may be) submitted under clause 6A.12.3(a):
 - (1) contains the changes required under clause 6A.12.1; or
 - (2) does not contain those changes but otherwise (in the *AER's* view), adequately addresses the matters which prompted the *AER* to require those changes,

then, except to the extent that:

- (3) either or both of the following apply:
 - (i) other changes have been made in the revised *Revenue Proposal*, the revised proposed *negotiating framework* or the revised proposed *pricing methodology*, by the provider; or
 - (ii) the information contained in or accompanying the revised *Revenue Proposal*, revised proposed *negotiating framework* or revised proposed *pricing methodology* differs from that contained in or accompanying the previous *Revenue Proposal*, proposed *negotiating framework* or proposed *pricing methodology* submitted or resubmitted; and
- (4) the changes would justify the *AER*, in its final decision, in refusing to approve the amounts or values referred to in clause 6A.14.1(5), the proposed *negotiating framework* referred to in clause 6A.13.2(c) or the proposed *pricing methodology* referred to in clause 6A.13.2(d),

the *AER's* final decision must be to approve those amounts or values, that proposed *negotiating framework* or that proposed *pricing methodology*.

- (i) The *AER* must only specify criteria as *Negotiated Transmission Service Criteria* for a *Transmission Network Service Provider* in a draft or final decision under rule 6A.12 or 6A.13 if those criteria give effect to and are consistent with the *Negotiated Transmission Services Principles*.

[25] Rule 6A.15 Revocation and substitution of revenue determination for wrong information or error

Omit Rule 6A.15 (including the heading) and substitute:

6A.15 Revocation of revenue determination or amendment of pricing methodology for wrong information or error

- (a) Except as provided in clause 6A.7.1(d), the *AER* may only revoke a *revenue determination* or amend an existing *pricing methodology* during a *regulatory control period* where it appears to the *AER* that:
 - (1) the *total revenue cap* was set or the *pricing methodology* was approved on the basis of information provided by or on behalf of the relevant *Transmission Network Service Provider* to the *AER* that was false or misleading in a material particular; or
 - (2) there was a material error in the *total revenue cap* or in the *pricing methodology*.
- (b) If the *AER* revokes a *revenue determination* under paragraph (a)(1), the *AER* must make a new *revenue determination* in substitution for the revoked *revenue determination* to apply for the remainder of the *regulatory control period* for which the revoked *revenue determination* was to apply.
- (c) If the *AER* revokes a *revenue determination* under paragraph (a)(2), the substituted *revenue determination* must only vary from the revoked *revenue determination* to the extent necessary to correct the relevant error.
- (d) If the *AER* amends a *pricing methodology* under paragraph (a)(1), the amended methodology applies to the setting of prices for the next *financial year* and for the remainder of the relevant *regulatory control period*.
- (e) If the *AER* amends a *pricing methodology* under paragraph (a)(2), the amended methodology must only vary from the existing *pricing methodology* to the extent necessary to correct the relevant error.
- (f) The *AER* may only revoke and substitute a *revenue determination* or amend a *pricing methodology* under this rule 6A.15, if it has first consulted with the relevant *Transmission Network Service Provider* and such other persons as it considers appropriate.

[26] Clause 6A.17.2 Information Guidelines

Omit clause 6A.17.2 (e) and (f), (including the note) and insert:

- (e) The *information guidelines* may only require the inclusion in the certified annual statements of:
 - (1) such information as the *AER* reasonably requires for a purpose set out in clause 6A.17.1(d);
 - (2) information on the amount of each instance, during the relevant reporting period, of a reduction under clause 6A.26.1(c) in the prices

- payable by a *Transmission Customer* for *prescribed TUOS services* or *prescribed common transmission services* provided by the *Transmission Network Service Provider*;
- (3) information on each instance, during the relevant reporting period, of a reduction in the prices payable by a *Transmission Customer* for *prescribed TUOS services* or *prescribed common transmission services* (or both) that were recovered under rule 6A.26 from other *Transmission Customers* for *prescribed TUOS services* or *prescribed common transmission services*; and
 - (4) information to substantiate any claim by the *Transmission Network Service Provider* that the information provided to the *AER* with respect to reductions in the prices payable by a *Transmission Customer* for the relevant *prescribed transmission services* under subparagraph (2) or (3) is confidential information.
- (f) The *information guidelines* may provide for the information that must accompany a written statement seeking approval of the *AER* to pass through a *positive pass through amount* or a *negative pass through amount* under clause 6A.7.3.
 - (g) The *information guidelines* may specify the information that must be submitted with any application made under clause 6A.26.2(b), including:
 - (1) details of the circumstances in which a discount amount has arisen and of the calculation of the proposed recovery amount; and
 - (2) the information necessary to substantiate how the requirements of clause 6A.26.1(f) are satisfied.
 - (h) The *information guidelines* may provide, for the purposes of rule 6A.27, rule 6A.28 and rule 6A.29, for:
 - (1) the information that each *Transmission Network Service Provider* must supply to a *Co-ordinating Network Service Provider* and other *Transmission Network Service Providers* for the purposes of cost allocation under the provider's *pricing methodology*, including:
 - (i) electrical parameters for each optimised element of the *network* and the *network* configuration;
 - (ii) hourly *load* data for each exit point for the *survey period*;
 - (iii) hourly *generation* data for each entry point for the *survey period*;
 - (iv) *voltage* control arrangements and *voltage* profile; and
 - (v) the *ASRR* for the categories of *prescribed TUOS services* and *prescribed common transmission services*.
 - (2) the derivation of hourly *load* data from *metering data* by the aggregation of the *energy meter* reading figures in respect of each hour.

[27] Clause 6A.18.1 Introduction

Omit clause 6A.18.1(a) and substitute:

- (a) In this rule 6A.18, ‘**protected information**’ means:
- (1) information in certified annual statements or additional information, provided by a *Transmission Network Service Provider* to the *AER* under rule 6A.17, and includes documents and information contained in documents provided under rule 6A.17; and
- but does not include:
- (2) information referred to in clause 6A.17.1(d)(4);
 - (3) information that is required to be provided in accordance with the *submission guidelines* referred to in clause 6A.10.2 where those guidelines permit the information to be publicly disclosed; and
 - (4) information that is required to be provided in accordance with the *pricing methodology guidelines* referred to in rule 6A.25 where those guidelines permit the information to be publicly disclosed.

[28] New Part J of Chapter 6A

After Part I of Chapter 6A, insert:

Part J – Prescribed Transmission Services - Regulation of Pricing

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, and
- (2) by subtracting the operating and maintenance costs expected to be incurred in the provision of *prescribed common transmission services*.

6A.22.2 Annual service revenue requirement (ASRR)

For the purposes of this Part J, the *annual service revenue requirement (ASRR)* for a *Transmission Network Service Provider* is the portion of the *AARR* for

prescribed transmission services provided by a *Transmission Network Service Provider* that is allocated to each *category of prescribed transmission services* for that provider and that is calculated by multiplying the *AARR* by the *attributable cost share* for that category of services in accordance with the principles in clause 6A.23.2.

6A.22.3 Meaning of attributable cost share

- (a) For a *Transmission Network Service Provider* for a *category of prescribed transmission services*, the *attributable cost share* for that provider for that category of services must, subject to any adjustment required under the principles in clause 6A.23.2, substantially reflect the ratio of:
 - (1) the costs of the *transmission system* assets directly attributable to the provision of that *category of prescribed transmission services*; to
 - (2) the total costs of all the *Transmission Network Service Provider's transmission system* assets directly attributable to the provision of *prescribed transmission services*.
- (b) The costs of the *transmission system* assets referred to in paragraph (a) refers to optimised replacement cost or to an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the *Transmission Network Service Provider*.

6A.22.4 Meaning of attributable connection point cost share

- (a) For a *Transmission Network Service Provider* for *prescribed entry services* and *prescribed exit services*, the *attributable connection point cost share* for that provider for each of those categories of services must substantially reflect the ratio of:
 - (1) the costs of the *transmission system* assets directly attributable to the provision of *prescribed entry services* or *prescribed exit services*, respectively, at a *transmission network connection point*; to
 - (2) the total costs of all the *Transmission Network Service Provider's transmission system* assets directly attributable to the provision of *prescribed entry services* or *prescribed exit services*, respectively.
- (b) The costs of the *transmission system* assets referred to in paragraph (a) refers to optimised replacement cost or to an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the *Transmission Network Service Provider*.

6A.23 Pricing Principles for Prescribed Transmission Services

6A.23.1 Introduction

- (a) This rule 6A.23 sets out the principles that constitute the *Pricing Principles for Prescribed Transmission Services*.

- (b) The *Pricing Principles for Prescribed Transmission Services* are given effect by *pricing methodologies*.

6A.23.2 Principles for the allocation of the AARR to categories of prescribed transmission services

The *aggregate annual revenue requirement* for *prescribed transmission services* provided by a *Transmission Network Service Provider* is to be allocated in accordance with the following principles:

- (a) The AARR for a *Transmission Network Service Provider* must be allocated to each *category of prescribed transmission services* in accordance with the *attributable cost share* for each such category of services.
- (b) This allocation results in the *annual service revenue requirement (ASRR)* for that category of services.
- (c) The allocation of the AARR must be such that:
- (1) every portion of the AARR is allocated; and
 - (2) the same portion of the AARR is not allocated more than once.
- (d) Where, as a result of the application of the *attributable cost share*, a portion of the AARR would be attributable to more than one category of *prescribed transmission services*, that *attributable cost share* is to be adjusted and applied such that any costs of a *transmission system* asset that would otherwise be attributed to the provision of more than one category of *prescribed transmission services*, is allocated as follows:
- (1) to the provision of *prescribed TUOS services*, but only to the extent of the *stand-alone amount* for that *category of prescribed transmission services*;
 - (2) if any portion of the costs of a *transmission system* asset is not allocated to *prescribed TUOS services*, under subparagraph (1), that portion is to be allocated to *prescribed common transmission services*, but only to the extent of the *stand-alone amount* for that *category of prescribed transmission services*;
 - (3) if any portion of the costs of a *transmission system* asset is not attributed to *prescribed transmission services* under subparagraphs (1) and (2), that portion is to be attributed to *prescribed entry services* and *prescribed exit services*.

6A.23.3 Principles for the allocation of the ASRR to transmission network connection points

The *annual service revenue requirement* for a *Transmission Network Service Provider* for each *category of prescribed transmission services* is to be allocated to each *transmission network connection point* in accordance with the following principles:

-
- (a) The whole of the *ASRR* for *prescribed entry services* is to be allocated to *transmission network connection points* in accordance with the *attributable connection point cost share* for *prescribed entry services* that are provided by the *Transmission Network Service Provider* at that *connection point*.
- (b) The whole of the *ASRR* for *prescribed exit services* is to be allocated to *transmission network connection points* in accordance with the *attributable connection point cost share* for *prescribed exit services* that are provided by the *Transmission Network Service Provider* at that *connection point*.
- (c) Subject to paragraph (e), the *ASRR* for *prescribed TUOS services* is to be allocated to *transmission network connection points* of *Transmission Customers* in the following manner:
- (1) a share of the *ASRR* (the **locational component**) is to be adjusted by subtracting the estimated *auction amounts* expected to be distributed to the *Transmission Network Service Provider* under clause 3.18.4 from the *connection points* for each relevant *directional interconnector* and this adjusted share is to be allocated as between such *connection points* on the basis of the estimated proportionate use of the relevant *transmission system* assets by each of those customers, and the *CRNP methodology* and *modified CRNP methodology* represent two permitted means of estimating proportionate use;
 - (2) the remainder of the *ASRR* (the **pre-adjusted non-locational component**) is to be adjusted:
 - (i) by subtracting the amount (if any) referred to in paragraph (e);
 - (ii) by subtracting or adding any remaining *settlements residue* (not being *settlements residue* referred to in sub paragraph (1) but including the portion of *settlements residue* due to *intra-regional loss factors*) which is expected to be distributed or recovered (as the case may be) to or from the *Transmission Network Service Provider* in accordance with clause 3.6.5(a);
 - (iii) for any *over-recovery amount* or *under-recovery amount*;
 - (iv) for any amount arising as a result of the application of clause 6A.23.4(h) and (i); and
 - (v) for any amount arising as a result of the application of prudent discounts in clause 6A.26.1(d)-(g),(the **adjusted non-locational component**) and this adjusted non-locational component is to be recovered in accordance with clause 6A.23.4.
- (d) The shares of the *ASRR* referred to in paragraph (c) are to be either:
- (1) a 50% share allocated to the locational component referred to in subparagraph (c)(1) and a 50% share allocated to the pre-adjusted non-locational component referred to in subparagraph (c)(2); or

-
- (2) an alternative allocation to each component, that is based on a reasonable estimate of future *network* utilisation and the likely need for future *transmission* investment, and that has the objective of providing more efficient locational signals to *Market Participants, Intending Participants* and end-users.
 - (e) If the result of the adjustment referred to in paragraph (c)(1) would be a negative locational component for the *connection points* of the relevant *directional interconnector* then the locational component will be deemed to be zero and the absolute value of that negative amount is to be subtracted from the pre-adjusted non-locational component under paragraph (c)(2)(i).
 - (f) The *ASRR* for *prescribed common transmission services* and the operating and maintenance costs incurred in the provision of those services, are to be recovered through prices charged to *Transmission Customer* and *Network Service Provider transmission network connection points* set in accordance with clause 6A.23.4.

6A.23.4 Price structure principles

- (a) A *Transmission Network Service Provider* is to develop separate prices for the recovery of the *ASRR* in accordance with the principles set out in paragraphs (b)-(i).
- (b) Separate prices are to be developed for each *category of prescribed transmission services*, being:
 - (1) *prescribed entry services*;
 - (2) *prescribed exit services*;
 - (3) *prescribed common transmission services*;
 - (4) *prescribed TUOS services* – locational component; and
 - (5) *prescribed TUOS services* – the adjusted non-locational component.
- (c) Prices for *prescribed entry services* and *prescribed exit services* must be a fixed annual amount.
- (d) Prices for *prescribed common transmission services* must be on a *postage-stamp* basis.
- (e) Prices for recovering the locational component of providing *prescribed TUOS services* must be based on demand at times of greatest utilisation of the *transmission network* and for which *network* investment is most likely to be contemplated.
- (f) Subject to paragraphs (g), (h), and (i), prices for recovering the locational component of the *ASRR* for the provision of *prescribed TUOS services* must not change by more than 2 per cent per annum compared with the load weighted average price for this component for the relevant *region*.
- (g) The change in price referred to in paragraph (f) may exceed 2 per cent per annum if, since the last time prices were set:

- (1) the *load* at the *connection point* has materially changed;
 - (2) in connection with that change, the *Transmission Customer* requested a renegotiation of its *connection agreement* with the *Transmission Network Service Provider*; and
 - (3) the *AER* has approved the change of more than 2 per cent per annum.
- (h) If, in the case of an increase in price, the application of paragraph (f) would result in the under-recovery of part of the locational component of the *ASRR* in charges for *prescribed TUOS services*, any shortfall may be recovered by adjusting upward the charges that would otherwise apply in respect of the adjusted non-locational component of *prescribed TUOS services*.
- (i) If, in the case of a decrease in price, the application of paragraph (f) would result in over-recovery of the locational component of the *ASRR* through charges for *prescribed TUOS services*, any over-recovery must be offset by adjusting downward the charges that would otherwise apply in respect of the adjusted non-locational component of *prescribed TUOS services*.
- (j) Prices for recovering the adjusted non-locational component of *prescribed TUOS services* must be on a *postage-stamp* basis.

6A.24 Pricing methodology

6A.24.1 Pricing methodologies generally

- (a) In making a *transmission determination* under Part E of this Chapter 6A, the *AER* must include a decision to approve a proposed *pricing methodology* as part of that *transmission determination*, in accordance with that Part.
- (b) A *pricing methodology* is a methodology, formula, process or approach that, when applied by a *Transmission Network Service Provider*:
- (1) allocates the *aggregate annual revenue requirement* for *prescribed transmission services* provided by that provider to:
 - (i) the *categories of prescribed transmission services* for that provider; and
 - (ii) *transmission network connection points* of *Transmission Network Users*; and
 - (2) determines the structure of the prices that a *Transmission Network Service Provider* may charge for each of the *categories of prescribed transmission services* for that provider.
- (c) The *pricing methodology* proposed by a *Transmission Network Service Provider* and approved by the *AER* in accordance with Part E of this Chapter 6A must:
- (1) give effect to and be consistent with the *Pricing Principles for Prescribed Transmission Services*; and

- (2) comply with the requirements of, and contain or be accompanied by such information as is required by, the *pricing methodology guidelines* made for that purpose under rule 6A.25.
- (d) A *Transmission Network Service Provider* must comply with the *pricing methodology* approved by the AER as part of a *transmission determination* that applies to that provider, and any other applicable requirements in the *Rules*, when the provider is setting the prices that may be charged for the provision of *prescribed transmission services*.
- (e) Subject to clause 6A.24.3, a *pricing methodology* applies for the duration of the relevant *regulatory control period*.
- (f) Subject to rule 6A.15, a *pricing methodology* may not be amended during the *regulatory control period*.

6A.24.2 Publication of pricing methodology and transmission network prices

A *Transmission Network Service Provider* must publish:

- (a) a current copy of its *pricing methodology* on its website; and
- (b) the prices for each of the *categories of prescribed transmission services* to apply for the following *financial year*, by 15 May each year for the purposes of determining *distribution service* prices as outlined in Part C of Chapter 6.

6A.24.3 Basis for setting prices pending approval of pricing methodology

- (a) This clause 6A.24.3 applies where:
 - (1) a *Transmission Network Service Provider* has submitted or resubmitted a proposed *pricing methodology* to the AER under clause 6A.10.1, 6A.11.2 or 6A.12.3;
 - (2) the AER has not made a final decision approving or amending that methodology under rule 6A.13 by a date that is 3 months prior to the commencement of the first *financial year* that a methodology referred to in subparagraph (1) would, if approved, apply (the **first pricing year**); and
 - (3) the provider is reasonably required to commence the process of setting prices for the first pricing year.
- (b) Despite clause 6A.24.1(d), a *Transmission Network Service Provider* must set prices for the first pricing year in accordance with:
 - (1) in the case where the AER has made a draft decision in which it proposes to approve a proposed *pricing methodology* - that proposed *pricing methodology*; or
 - (2) if subparagraph (1) does not apply, the *pricing methodology* most recently approved for that *Transmission Network Service Provider*

- prior to the proposed *pricing methodology* referred to in subparagraph (a)(1);
- (3) if there is no previously approved *pricing methodology* for that *Transmission Network Service Provider*, the previous method used by the *Transmission Network Service Provider* to establish prices, however determined, must be used in place of an approved *pricing methodology*.
- (c) Despite the *AER* subsequently approving a *pricing methodology* for a *Transmission Network Service Provider*:
- (1) the approved *pricing methodology* applies to the setting of prices for the year after the first pricing year and for the remainder of the relevant *regulatory control period*; and
- (2) the provider is not required to adjust, reverse or recompense any amounts to *Transmission Network Users* or their customers in connection with charges for services established pursuant to this clause 6A.24.3.

6A.25 Pricing methodology guidelines for prescribed transmission services

6A.25.1 Making and amending of pricing methodology guidelines

- (a) The *AER* must, in accordance with the *transmission consultation procedures*, make guidelines (the *pricing methodology guidelines*) relating to the preparation by a *Transmission Network Service Provider* of a proposed *pricing methodology*.
- (b) The *pricing methodology guidelines*:
- (1) must give effect to, and be consistent with, the *Pricing Principles for Prescribed Transmission Services*;
- (2) may be amended or replaced by the *AER* from time to time in accordance with the *transmission consultation procedures*; and
- (3) must be *published* by the *AER*.
- (c) The *AER* must develop and publish the first *pricing methodology guidelines* by 31 October 2007 and there must be *pricing methodology guidelines* in force at all times after that date.
- (d) In the event of an inconsistency between the *Rules* and the *pricing methodology guidelines*, the *Rules* prevail to the extent of that inconsistency.

6A.25.2 Contents of pricing methodology guidelines

The *pricing methodology guidelines* must specify or clarify:

- (a) the information that is to accompany a proposed *pricing methodology* being information that is necessary to allow the *AER* to form a view as to whether the proposed methodology is consistent with and gives effect to, the *Pricing*

Principles for Prescribed Transmission Services and the requirements of this Part J;

- (b) permitted pricing structures for recovery of the locational component of providing *prescribed TUOS services* under clause 6A.23.4(e), having regard to:
 - (1) the desirability of consistent pricing structures across the *NEM*; and
 - (2) the role of pricing structures in signaling efficient investment decisions and *network* utilisation decisions;
- (c) in relation to prices set on a *postage-stamp* basis, permissible postage stamping structures for the prices for *prescribed common transmission services* and the recovery of the adjusted non-locational component of providing *prescribed TUOS services* having regard to:
 - (1) the desirability of a consistent approach across the *NEM*, particularly for *Transmission Customers* that have operations in multiple *participating jurisdictions*; and
 - (2) the desirability of signaling to actual and potential *Transmission Network Users* efficient investment decisions and *network* utilisation decisions.
- (d) the types of *transmission system assets* that are directly attributable to each *category of prescribed transmission services*, having regard to the desirability of consistency of cost allocation across the *NEM*;
- (e) those parts (if any) of a proposed *pricing methodology* or the information accompanying it, that will not be publicly disclosed without the consent of the *Transmission Network Service Provider*; and

6A.26 Prudent discounts

6A.26.1 Agreements for prudent discounts for prescribed transmission services

- (a) Subject to this clause 6A.26.1, the prices for *prescribed transmission services* that are determined in accordance with the *pricing methodology* of a *Transmission Network Service Provider*, are the maximum prices that a provider is entitled to charge for the provision of the relevant *prescribed transmission services*.
- (b) A *Transmission Network Service Provider* may, but is not required to, agree with a *Transmission Customer* (the **beneficiary**) to charge lower prices for *prescribed TUOS services* and *prescribed common transmission services* provided to that beneficiary, than the prices determined in accordance with the provider's *pricing methodology*.
- (c) Where a *Transmission Customer* requests a *Transmission Network Service Provider* to charge that user reduced charges for *prescribed TUOS services*

or *prescribed common transmission services (reduced charges)*, the *Transmission Network Service Provider* must negotiate in good faith.

- (d) Subject to this clause 6A.26.1, a *Transmission Network Service Provider* that agrees to charge a beneficiary reduced charges, may recover the difference between the revenue that would be recovered by the application of the maximum prices referred to in paragraph (a) and the reduced charges (the **discount amount**) from either or both charges:
 - (1) to other *Transmission Customers* for the adjusted non-locational component of *prescribed TUOS services*; and
 - (2) for *prescribed common transmission services*,
in accordance with the provider's *pricing methodology*.
- (e) A *Transmission Network Service Provider* may recover up to 70 per cent of a discount amount through the charges referred to in subparagraphs (d)(1) and (2).
- (f) A *Transmission Network Service Provider* may recover greater than 70 percent of the discount amount if:
 - (1) the discount amount is no larger than that necessary to prevent the charges referred to in subparagraphs (d)(1) and (2) altering the beneficiary's behaviour to the point of adopting the most attractive alternative in place of the course of action the beneficiary would have adopted if no such charges were levied; and
 - (2) the giving of the discount would not place other customers of the *Transmission Network Service Provider* in a worse position than if the discount was not offered.
- (g) Where for any reason the *Transmission Network Service Provider* does not recover the proportion of a discount amount that the provider is entitled to recover from other *Transmission Customers* under this clause in the *financial year* in which the reduced charges apply, the *Transmission Network Service Provider* may recover the difference through the charges for the adjusted non-locational component of *prescribed TUOS services* to apply in a subsequent *financial year*, in accordance with the provider's *pricing methodology*.

6A.26.2 Application to AER for approval of proposed prudent discount amounts

- (a) This clause applies where a *Transmission Network Service Provider* has agreed or proposes to agree, to reduced charges in accordance with clause 6A.26.1 and seeks to recover greater than 70 per cent of the discount amount through the charges referred to in clause 6A.26.1(d) to its other *Transmission Customers* (the **proposed recovery amount**).
- (b) A *Transmission Network Service Provider* may apply to the AER for approval to recover the proposed recovery amount.

- (c) A *Transmission Network Service Provider* seeking approval must submit to the *AER* a written application in accordance with any relevant requirements of the *information guidelines* in force under clause 6A.17.2.
- (d) If the *AER* determines that the requirements of clause 6A.26.1(f) are satisfied, the *AER* may approve the recovery of the proposed recovery amount, taking into account the matters referred to in paragraph (i).
- (e) If the *AER* determines that the requirements of clause 6A.26.1(f) are not satisfied, the *AER* may refuse the recovery of the proposed recovery amount, and must set out its reasons.
- (f) If the *AER* does not make a decision referred to in paragraph (d) or (e) within 60 *business days* from the date it receives the *Transmission Network Service Provider's* application and accompanying evidence under paragraph (c), then, on the expiry of that period, the *AER* is taken to have approved the recovery of the proposed recovery amount.
- (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 paragraphs (d) or (e) 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 (e), 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 an application to recover a proposed recovery amount as the *AER* considers appropriate.

Relevant factors

- (i) In making a determination under paragraph (d) or (e), the *AER* must take into account:
 - (1) the matters and proposals set out in the application referred to in paragraph (c);
 - (2) the requirements of clause 6A.26.1(f); and
 - (3) any other factors the *AER* considers relevant.
- (j) If the *AER* approves or is taken to approve recovery of the proposed recovery amount under paragraph (d) or (f), that approval is valid so long as the agreement between the *Transmission Network Service Provider* and the *Transmission Customer* remains in effect and its terms are not renegotiated, except where the *Transmission Network Service Provider* has provided information in its application that was materially false or misleading.
- (k) Where a *Transmission Network Service Provider* agrees to charge reduced charges in accordance with clause 6A.26.1, and no approval is granted under this clause 6A.26.2, the *AER* must review the discount amount in the course of making a subsequent *revenue determination* for that provider, and if the

recovery of any part of the discount amount does not comply with clause 6A.26.1(f), the *AER* may adjust (with interest) the *total revenue cap* of the *Transmission Network Service Provider* for the following *regulatory control period* in respect of the total amount that has been earned by the *Transmission Network Service Provider* and does not satisfy the requirements under the *Rules*.

6A.27 Billing Process

This rule describes the manner in which *Transmission Network Users* are billed for *prescribed transmission services* and how payments for those services are made.

6A.27.1 Billing for prescribed transmission services

- (a) For each *connection point* on its *transmission networks*, a *Transmission Network Service Provider* must calculate the *transmission service charges* payable by *Transmission Network Users* in accordance with the *transmission service prices* published under clause 6A.24.2.
- (b) A *Transmission Network Service Provider* must issue a bill to *Transmission Network Users* for *prescribed transmission services*.
- (c) Where the billing for a particular *financial year* is based on quantities which are undefined until after the commencement of the *financial year*, charges must be estimated from the previous year's billing quantities with a reconciliation to be made when the actual billing quantities are known and, where the previous year's billing quantities are unavailable or no longer suitable, nominated quantities may be used as agreed between the parties.
- (d) Where charges are to be determined for *prescribed transmission services* from *metering data*, these charges must be based on kW or kWh obtained from the *metering data* managed by *NEMMCO*.

6A.27.2 Minimum information to be provided in network service bills

- (a) The following is the minimum information that must be provided with a bill for a *connection point* issued by a *Transmission Network Service Provider* directly to a *Transmission Network User*:
 - (1) the *connection point* identifier;
 - (2) the dates on which the *billing period* starts and ends;
 - (3) the identifier of the published *transmission service price* from which the *connection point* charges are calculated;
 - (4) measured quantities, billed quantities, agreed quantities, prices and amounts charged for each component of the total *transmission service* account.
- (b) In addition to the minimum information requirements set out in paragraph (a), a bill for a *connection point* issued by a *Transmission Network Service Provider* directly to a *Transmission Customer* must separately identify, for

the total amount levied in relation to *prescribed TUOS services* in the *billing period* for that *connection point* each of the following components:

- (1) charges for the locational and the adjusted non-locational component of *prescribed TUOS services*;
- (2) charges for *prescribed common transmission services*.

6A.27.3 Obligation to pay charges for prescribed transmission services

A *Transmission Network User* must pay charges for *prescribed transmission services* properly charged to it and billed in accordance with the *pricing methodology* of the relevant *Transmission Network Service Provider* by the date specified in the bill.

6A.27.4 Payments between Transmission Network Service Providers

- (a) Each *Transmission Network Service Provider* must pay to each other relevant *Transmission Network Service Provider* the revenue which is estimated to be collected during the following year by the first provider as charges for *prescribed transmission services* for the use of *transmission systems* owned by those other *Transmission Network Service Providers*.
- (b) Payments to be made between *Transmission Network Service Providers* within a *region* under paragraph (a) must be determined by the *Co-ordinating Network Service Provider* for that *region*.
- (c) Financial transfers payable under this clause 6A.27.4 must be paid in equal monthly instalments.

6A.27.5 Calculation of financial transfers between Transmission Network Service Providers

- (a) If the *prescribed transmission use of system* revenue allocation and price and charge calculation under the *pricing methodology* of a *Transmission Network Service Provider* result in the allocation of some of a provider's revenue to a *Transmission Customer* in relation to a *connection point* with another *Network Service Provider* then financial transfers between *Network Service Providers* must be made in accordance with paragraph (b).
- (b) Financial transfers referred to in paragraph (a) must be determined by the *Co-ordinating Network Service Provider* as a fixed annual amount for the next *financial year*. The *survey period* for this allocation is the most recent full *financial year* for which operating data is available.

6A.28 Prudential Requirements

This rule sets out the arrangements by which *Transmission Network Service Providers* may minimise financial risks associated with investment in *transmission network* assets.

6A.28.1 Prudential Requirements for prescribed transmission services

A *Transmission Network Service Provider* may require a *Transmission Network User* to establish prudential requirements for either or both *connection services* and *transmission use of system services*. These prudential requirements may take the form of, but need not be limited to, capital contributions, pre-payments or financial guarantees.

6A.28.2 Capital contribution or prepayment for a specific asset

Where the *Transmission Network Service Provider* is required to construct specific assets to provide *connection service* or *transmission use of system service* to a *Transmission Network User*, the provider may require that user to make a capital contribution or prepayment for all or part of the cost of the new assets installed and any contribution made must be taken into account in the determination of *transmission service* prices applicable to that user.

6A.28.3 Treatment of past capital contributions

- (a) The treatment of capital contributions for *connection service* and/or *transmission use of system service* made prior to 13 December 1998, by *Transmission Network Users* must be in accordance with any contractual arrangements with the relevant *Transmission Network Service Providers* applicable at that time.
- (b) Where contractual arrangements referred to in paragraph (a) are not in place, the treatment of past capital contributions for *connection service* and/or *transmission use of system service* must be negotiated by the *Transmission Network Service Provider* and the *Transmission Network User* and, if a dispute arises and cannot be resolved, the matter must be referred to the *AER*.

6A.29 Multiple Transmission Network Service Providers

6A.29.1 Multiple Transmission Network Service Providers within a region

- (a) If *prescribed transmission services* within a *region* are provided by more than one *Transmission Network Service Provider*, the providers within that *region* (the **appointing providers**) must appoint a *Co-ordinating Network Service Provider* who is responsible for the allocation of all relevant *AARR* within that *region*, in accordance with this Part J.
- (b) Each *Transmission Network Service Provider* must determine the *AARR* for its own *transmission system* assets which are used to provide *prescribed transmission services* within each *region*.
- (c) To make the allocation referred to in paragraph (a), the *Co-ordinating Network Service Provider* must use the total *AARR* of all *Transmission Network Service Providers* providing *prescribed transmission services* within the relevant *region*.

- (d) The *Co-ordinating Network Service Provider* is responsible for making the allocation referred to in paragraph (a), in accordance with its *pricing methodology*, in relation to *Transmission Network Users' and Transmission Network Service Providers' transmission network connection points* located within the *region* and an appointing provider is not required to address the matters specified in rule 6A.24.1(c)(1) when preparing its *pricing methodology*.
- (e) Each *Transmission Network Service Provider* within a *region* must promptly provide information reasonably requested by the *Co-ordinating Network Service Provider* for that *region* to enable the proper performance of the co-ordination function.
- (f) The *Co-ordinating Network Service Provider* must provide sufficient information to an appointing provider to enable that provider:
 - (1) to understand the basis for the allocation referred to in paragraphs (a) and (d); and
 - (2) to prepare its *pricing methodology* and replicate the pricing allocation.

6A.29.2 Single Transmission Network Service Provider within a region

If *prescribed transmission services* within a *region* are provided by only one *Transmission Network Service Provider*, that provider is responsible for allocation of the *AARR* within that *region* and must liaise with the *Transmission Network Service Provider* similarly responsible in any other *interconnected regions*.

6A.29.3 Allocation over several regions

- (a) The *Transmission Network Service Providers* responsible for the allocation of the *AARR* within a *region* may agree with one or more other such providers for *interconnected regions* to undertake the allocations of *AARR* as one allocation over all of those *regions*.
- (b) To make an allocation over several *regions*, the sum of the *AARR* of all *Transmission Network Service Providers* providing *prescribed transmission services* within those *regions* must be used.

[29] New Part K of Chapter 6A

After Part J insert:

Part K Commercial arbitration for disputes about terms and conditions of access for prescribed and negotiated transmission services

6A.30 Commercial arbitration for prescribed and negotiated transmission services

This Part K applies to any dispute which may arise between a *Transmission Network Service Provider* (a provider) and a *Service Applicant* (an applicant) as to *terms and conditions of access* as referred to in clause 6A.1.2, for the provision of *prescribed transmission services* or for the provision of *negotiated transmission services* ('a *transmission services access dispute*').

6A.30.1 Notification of transmission services dispute

- (a) A provider or an applicant may notify the *AER* in writing that a *transmission services access dispute* exists.
- (b) On receiving a notification under paragraph (a), the *AER* must give notice in writing of the dispute to the other party to the dispute.
- (c) A provider or an applicant who has given notice of a dispute under paragraph (a) may withdraw notification of the dispute at any time by written notice to the *AER* and the other party to the dispute.
- (d) If the notification of a dispute is withdrawn under paragraph (c), it is taken for the purposes of this clause 6A.30.1 to never have been given.

6A.30.2 Appointment of commercial arbitrator

- (a) On receiving a notification under clause 6A.30.1(a), the *AER* must request the provider and the applicant, by a time specified by the *AER*, to nominate to the *AER* two persons each for appointment as the *commercial arbitrator* to determine the *transmission services access dispute*. The provider and applicant may make the nominations.
- (b) As soon as practicable after the expiry of the time specified by the *AER* under paragraph (a), the *AER* must appoint:
 - (1) one of the persons (if any) nominated to the *AER* by the provider or the applicant under paragraph (a); or
 - (2) if neither the provider or the applicant nominate any such person within the time specified by the *AER* under paragraph (a) or all of the persons so nominated do not qualify for appointment under paragraph (d) or are not eligible for appointment under paragraph (e), a person determined by the *AER*,

as the *commercial arbitrator* to determine the dispute, and must refer the dispute to that *commercial arbitrator*.
- (c) A decision of the *AER* as to the appointment of the *commercial arbitrator* is final and binding on the provider and the applicant.

- (d) The *AER* may only appoint a person as the *commercial arbitrator* if that person is experienced or trained in dispute resolution techniques.
- (e) A person is not eligible for appointment as the *commercial arbitrator* if that person has any interest that may conflict with, or which may be seen to conflict with, the impartial resolution of the dispute. Where the person who is appointed as the *commercial arbitrator* becomes aware of such conflict after that person commences the hearing of the dispute, the person must advise the parties to that effect.
- (f) Where:
 - (1) the provider or the applicant believes that the person appointed as the *commercial arbitrator* has an interest which may conflict with the impartial resolution of the dispute; or
 - (2) the person appointed as the *commercial arbitrator* discloses the existence of such an interest,the person must not continue to hear and determine the dispute, except with the written consent of the provider and the applicant.

6A.30.3 Procedures of commercial arbitrator

- (a) The *commercial arbitrator* may give to the parties such directions as it considers necessary:
 - (1) for the proper conduct of the proceedings, including in relation to the provision of documents and information to the other party and the making of oral and written submissions;
 - (2) relating to the use and disclosure of information obtained from the other party to the dispute (including a direction to keep information confidential); and
 - (3) in relation to the participation (if any) of legal representatives of the parties in the proceedings.
- (b) The *commercial arbitrator* must observe the rules of procedural fairness, but is not bound by the rules of evidence and may inform itself in any manner it thinks fit.

6A.30.4 Powers of commercial arbitrator in determining transmission services access disputes

- (a) In determining a *transmission services access dispute* in relation to the *terms and conditions of access* for the provision of *prescribed transmission services* the *commercial arbitrator* must apply:
 - (1) in relation to price, the *pricing methodology* of the relevant *Transmission Network Service Provider* approved by the *AER* under Part E and Part J of this Chapter 6A of the *Rules*;
 - (2) in relation to other terms and conditions, Chapters 4, 5 and this Chapter 6A of the *Rules*; and

- (3) in relation to all *terms and conditions of access* (including price) the decision of *NEMMCO* or the *AER* where those decisions relate to those terms and conditions and are made under Chapters 4, 5 and this Chapter 6A of the *Rules*.
- (b) In determining a *transmission services access dispute* in relation to the *terms and conditions of access* for the provision of a *negotiated transmission service* the *commercial arbitrator* must apply:
- (1) in relation to price (including *access charges*) for the provision of that service by the provider, the *Negotiated Transmission Service Criteria* that are applicable to that dispute, in accordance with the relevant *transmission determination*;
 - (2) in relation to other terms and conditions, the *Negotiated Transmission Service Criteria* that are applicable to that dispute, and Chapters 4, 5 and this Chapter 6A of the *Rules*; and
 - (3) in relation to all *terms and conditions of access* (including price) the decision of *NEMMCO* or the *AER* where those decisions relate to those terms and conditions and are made under Chapters 4, 5 and this Chapter 6A of the *Rules*.
- and must have regard:
- (4) to the relevant *negotiating framework* prepared by the *Transmission Network Service Provider* under clause 6A.9.5 and approved by the *AER*.
- (c) In determining a *transmission services access dispute* in relation to the *terms and conditions of access* for the provision of *negotiated transmission services* a *commercial arbitrator* may:
- (1) have regard to other matters which the *commercial arbitrator* considers relevant.
 - (2) hear evidence or receive submissions from *NEMMCO* and *Transmission Network Users* notified and consulted under the *Transmission Network Service Provider's negotiating framework*.
- (d) In determining a *transmission services access dispute* in relation to the *terms and conditions of access* for the provision of *prescribed transmission services* a *commercial arbitrator* may:
- (1) have regard to other matters which the *commercial arbitrator* considers relevant.
 - (2) hear evidence or receive submissions from *NEMMCO* in relation to *power system security* matters and from *Transmission Network Users* who may be adversely affected.

6A.30.5 Determination of transmission services access disputes

- (a) Subject to paragraph (c), the *commercial arbitrator* must determine the dispute as quickly as possible, and in any case it must do so within 30 *business days* after the dispute is referred to the *commercial arbitrator*.
- (b) The determination of the *commercial arbitrator*:
 - (1) may direct the provision of *prescribed transmissions services* and *negotiated transmission services* in accordance with Chapters 4, 5 and this Chapter 6A of the *Rules*;
 - (2) may specify, for a *negotiated transmission service*, a price or charge in such a way that it is or is to be adjusted over time.

Note: An adjustment as referred to in paragraph (b)(2) may, for example, be appropriate where the cost of providing the negotiated transmission service to a Service Applicant changes because the assets used to provide that service are subsequently used to provide a service to another person and the payment for the service by that other person enables the Transmission Network Service Provider to recoup some of those costs from that other person.
- (c) The *commercial arbitrator* may extend the period referred to in paragraph (a) if the provider and the applicant so agree in writing.
- (d) The *commercial arbitrator* may at any time terminate the proceedings without making a decision if it considers that:
 - (1) the dispute is misconceived or lacking in substance;
 - (2) the notification of the dispute to the *AER* under clause 6A.30.1(a) was vexatious; or
 - (3) the party who notified the dispute to the *AER* under clause 6A.30.1(a) has not negotiated in good faith or has notified the dispute prematurely or unreasonably.
- (e) The *commercial arbitrator* must terminate the proceedings without making a decision if at any time, whether on application by the provider or the applicant or otherwise, the arbitrator determines that the *transmission service* is capable of being provided on a genuinely competitive basis by a person other than the *Transmission Network Service Provider* or an entity which is associated with the provider.

6A.30.5 Costs of dispute

- (a) The fees and costs of the *commercial arbitrator* must be borne equally by the provider and the applicant unless:
 - (1) paragraph (b) applies; or
 - (2) otherwise agreed between the provider and the applicant.
- (b) The costs of determining the dispute (including the legal costs of either of the parties) may be allocated by the *commercial arbitrator* for payment as between the parties as part of any determination.

- (c) In deciding to allocate costs against one of the parties to the dispute, the *commercial arbitrator* may have regard to any relevant matters including (but not limited to) whether the conduct of that party unreasonably prolonged or escalated the dispute or otherwise increased the costs of resolving the dispute.

6A.30.6 Enforcement of agreement or determination and requirement for reasons

- (a) Where the provider and the applicant reach agreement (whether or not the matter is before a *commercial arbitrator*), the parties may execute a written agreement recording their resolution of that dispute.
- (b) The *commercial arbitrator* must give its decision determining the dispute, together with its reasons for that decision, in writing and must provide a copy of its determination:
 - (1) to the provider and to the applicant; and
 - (2) (except to the extent that it contains confidential information) to the *AER* for publication.
- (c) An agreement that is executed under paragraph (a) and a determination of the *commercial arbitrator* under paragraph (b) are binding on the provider and the applicant, and any failure to comply with such an agreement or determination is a breach of the *Rules* in respect of which the *AER* may take action in accordance with the *National Electricity Law*.

6A.30.7 Miscellaneous

- (a) To the extent permitted by law, a person who is appointed as a *commercial arbitrator* is not liable for any loss, damage or liability suffered or incurred by any person as a consequence of any act or omission of that person which was done in good faith in connection with the dispute.
- (b) A person who is appointed as a *commercial arbitrator* may, before acting in relation to the dispute, require the parties to the dispute (or any one of them) to execute a release and indemnity in relation to any loss, damage or liability that that person would, but for the release or indemnity, suffer or incur as a consequence of any act or omission done in good faith in connection with the dispute.

[30] Clause S6A.2.3 Removal of assets from regulatory asset base

In clause S6A.2.3(a)(1)(ii) omit “\$20 million” and substitute “\$10 million”.

[31] Schedule 6A.3 Commercial arbitration of disputes for negotiated transmission services

Omit schedule 6A.3 and substitute:

Schedule 6A.3 – CRNP methodology and modified CRNP methodology

S6A.3.1 Meaning of optimised replacement cost

For the purposes of this schedule 6A.3, references to “optimised replacement cost” include an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the *Transmission Network Service Provider*.

S6A.3.2 CRNP methodology

CRNP Methodology (or *cost reflective network pricing*) is an allocation process that involves the following steps:

- (1) Attributing network ‘costs’ to *transmission system* assets: the locational component of the *ASRR* allocated to *prescribed TUOS services* is allocated to each asset used to provide *prescribed TUOS services* based on the ratio of the optimised replacement cost of that asset, to the optimised replacement cost of all *transmission system* assets used to provide *prescribed use of system services*. The allocation to each *transmission system* asset is the ‘**locational network asset cost**’.
- (2) Determining the baseline allocation of *generation* to *loads* using a ‘fault contribution matrix’.
- (3) Determining the allocation of dispatched *generation* to *loads* over a range of actual operating conditions from the previous *financial year*. The range of operating scenarios is chosen so as to include the conditions that result in most stress on the *transmission network* and for which *network* investment may be contemplated. For each operating scenario selected:
 - (i) a constrained allocation of *generation* to *loads* matrix must be developed, in which *generation* is allocated to serving *loads* on the basis of the fault contribution matrix;
 - (ii) load flow analysis techniques are used to solve for *network* flows and to calculate the sensitivity of flows on each *network element* resulting from incremental changes in each *load*;
 - (iii) the sensitivities are weighted by *load* to derive a ‘flow component’ magnitude in each *network element* due to each *load* for that hour;
 - (iv) the relative utilisation of each *network element* by each *load* is calculated from the ‘flow component’ magnitudes, using only the flow components in the direction of the prevailing line flow.

- (4) When all the selected operating scenarios have been assessed, allocating the individual locational *network* asset costs to *loads* on a pro rata basis using the maximum ‘flow component’ that each *load* has imposed on each *network* asset across the range of operating conditions considered.
- (5) Summing the individual locational *network* asset costs allocated to each *load* to give the total amounts allocated to that *load*.

S6A.3.3 Modified CRNP methodology

Modified CRNP methodology is an allocation process that involves replacing step 1 of the CRNP methodology referred to in clause S6A.3.2(1) with the following 3 steps:

- (1) Allocating the *ASRR* allocated to *prescribed use of system services* to each *transmission system* asset used to provide *prescribed TUOS services* based on the ratio of the optimised replacement cost of the that asset to the optimised replacement cost of all *transmission system* assets used to provide *prescribed TUOS services*. The amount so allocated to each asset is the asset’s gross network asset cost.
- (2) Adjusting individual gross *network* asset costs: the individual gross *network* asset costs determined in subparagraph (1) must each be multiplied by a factor (between 0 and 1) that depends on the utilisation of each asset. The resulting amount for each asset is the locational network asset cost while the remainder is the non-locational network asset cost.
- (3) Determining the non-locational component: the sum of the non-locational *network* asset cost represents the pre-adjusted non-locational component of the *ASRR* for *prescribed TUOS services*.

[32] Clause 8.2.1 Application and guiding principles

Omit clause 8.2.1(h)(14) and substitute:

- (14) a *transmission services access dispute* to which Part K of Chapter 6A applies.

[33] Clause 9.3.1 General Definitions

In clause 9.3.1, for the definition in column 1 of shared transmission network use charges as set out below, omit the corresponding words in column 2 and substitute:

shared transmission network use charges	Charges for the locational and non-locational components of <i>prescribed TUOS services</i> and/or <i>prescribed common transmission services</i> and any other charges through which <i>VENCorp</i> is allowed, under Part J of Chapter 6A as modified by clause 9.8.4F, to recover any proportion of its <i>maximum allowable aggregate revenue</i> .
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[34] Clause 9.8.4F Pricing for connection to and use of Victorian transmission network

Omit clause 9.8.4F and substitute:

9.8.4F Pricing for connection to and use of Victorian transmission network

- (a) The operation of Part J of Chapter 6A, as it operates in respect the *Victorian Transmission Network* or a part of the *Victorian Transmission Network*, is modified by this clause 9.8.4F so that the allocation of the *aggregate annual revenue requirement* and its equivalent determined under clause 9.8.4C, and the allocation of transmission costs and the conversion of those allocated *transmission costs* to *prescribed transmission service* prices and charges as provided for under Part J of Chapter 6A, reflects the arrangements in place in relation to the *Victorian Transmission Network* or a part of the *Victorian Transmission Network* under the *EI Act*, the *ESC Act* and the *Tariff Order*.
- (b) **[Deleted]**
- (c) Part J of Chapter 6A applies in respect of the *Victorian Transmission Network* or a part of the *Victorian Transmission Network* in the following manner:
 - (1) references to *prescribed transmission services* are to be read (as applicable) as including *shared network services*;
 - (2) subject to clauses 9.8.4F(d), (f) and (h) (as the case requires), applies to:
 - (i) where a provision relates to the provision of *prescribed TUOS services* or *prescribed transmission common services*, a *Regulated owner* and *VENCorp* and, for that purpose, references in Part J to:
 - (A) a *Transmission Network Service Provider* are to be read as a reference to the *Regulated owner* or *VENCorp* (as the case requires); and
 - (B) *prescribed TUOS services* or *prescribed common transmission services* are to be read as, in the case of a

- Regulated owner*, a reference to *shared network services*;
and
- (C) the *aggregate annual revenue requirement* are to be read as, in the case of *VENCorp*, a reference to the *maximum allowable aggregate revenue* for the relevant *financial year*;
- (ii) where a provision of Part J of Chapter 6A relates to the provision of *prescribed entry services* or *prescribed exit services*, a *Regulated owner* and, for that purpose, every reference in that provision to a *Transmission Network Service Provider* is to be read as a reference to the *Regulated owner*;
- (3) rules 6A.27-6A.28 apply to:
- (i) where a provision of any of these rules relates to the provision of *prescribed entry services* or *prescribed exit services*, a *Regulated owner* and, for that purpose, every reference in that provision to a *Transmission Network Service Provider* is to be read as a reference to the *Regulated owner*;
- (ii) where a provision of any of these clauses relates to the provision of *prescribed TUOS services* or *prescribed common transmission services*, *VENCorp* and, for that purpose, every reference in that provision to a *Transmission Network Service Provider* is to be read as a reference to *VENCorp*.
- (d) A *Regulated owner* must, on allocating its *aggregate annual revenue requirement* amongst all of its assets utilised in the provision of *shared network services*, immediately notify *VENCorp* of the actual amount of the *aggregate annual revenue requirement* allocated in respect of each of its assets utilised in the provision of those services.
- (e) In addition to the modifications set out in clause 9.8.4F(c)(3), clause 6A.23.4 applies to a *Regulated owner* as if:
- (1) there were substituted: “(3) *shared network services cost*” for the words in clause 6A.23.4(b)(3)-(5); and
- (2) there were inserted in clause 6A.23.4, the following words:
“The portion of the *aggregate annual revenue requirement* referable to *shared network services* is recoverable by a *Regulated owner* from *VENCorp*.”

- (f) *VENCorp* is to be taken to be:
- (1) the *Co-ordinating Network Service Provider* appointed under rule 6A.29 responsible for the allocation of all relevant *aggregate annual revenue requirements* relating to the provision of *transmission services* which are *transmission use of system services* or *common services* within the *Victorian region* in accordance with the relevant clauses of Part J of Chapter 6A; and
 - (2) the *Transmission Network Service Provider* referred to in clause 6A.29.2 which must liaise with *Network Service Providers* in other *interconnected regions* which are similarly responsible for the allocation of all relevant *aggregate annual revenue requirements* relating to the provision of *transmission services* which are *transmission use of system services* or *common services*.
- (g) **[Deleted]**
- (h) *VENCorp* must, in allocating the portion of its *shared transmission network use charges* that is to be recovered from each *Distributor* to which it provides *prescribed TUOS services* and *prescribed transmission common services* in each *financial year* of a *relevant regulatory period*, adjust that portion in accordance with clause 9.8.4(a)(3).

[35] Chapter 10 – Glossary

In Chapter 10, delete the following definitions:

annual revenue requirement

An amount representing the revenue requirement of a *Transmission Network Service Provider* (other than a *Market Network Service Provider*) for an asset calculated in accordance with clause 6.4.1(c).

common service charge

The amount per *billing period* determined by a *Transmission Network Service Provider* under clause 6.5.6 for a *connection point* with a *Transmission Customer* connected to the *Transmission Network Service Provider's transmission network* and payable by the *Transmission Customer* to recover *common service costs*.

common service price

Either the price per unit of *metered energy* offtake or the price per unit of contracted capacity determined under clause 6.5.6 for application to *connection points* with *Transmission Customers* connected to a *transmission network* in the

region or regions over which the cost allocation under clause 6.4 is being made, which is used to determine common service charges.

Customer TUOS general charge

The charge per *billing period* determined by a *Transmission Network Service Provider* under clause 6.5.4A for a *connection point* with a *Transmission Customer* connected to the *Transmission Network Service Provider's* transmission network and payable by the *Transmission Customer* to recover the balance of the *aggregate annual revenue requirement* referred to in clause 6.4.3C.

Customer TUOS general price

Either the price per unit of *metered energy* offtake or the price per unit of contracted capacity determined under clause 6.5.4A for application to *connection points* with *Transmission Customers* connected to a *transmission network* in the *region or regions* over which the cost allocation under clause 6.4 is being made, which is used to determine the *Customer TUOS general charge* for each *connection point* with a *Transmission Customer* connected to a *transmission network* in the *region or regions*.

Customer TUOS usage charge

The charge per *billing period* determined by a *Transmission Network Service Provider* under clause 6.5.4 for a *connection point* with a *Transmission Customer* connected to the *Transmission Network Service Provider's* transmission network and payable by that *Transmission Customer*.

Customer TUOS usage price

The pricing structure determined by a *Transmission Network Service Provider* under clause 6.5.4 for a *connection point* with a *Transmission Customer* connected to its *transmission network* used to determine the *Customer TUOS usage charge* for that *Transmission Customer*.

easements tax change event

A change in the amount of land tax that is payable by the *Transmission Network Service Provider* in respect of the easements which are used for the purposes of the relevant *transmission network* where that change results in the *Transmission Network Service Provider* incurring *materially higher* or *materially lower* costs in providing *prescribed transmission services* than it would have incurred but for that event. For these purposes the change in the amount of land tax that is payable by the *Transmission Network Service Provider* must be calculated by applying the relevant land tax rate to the difference between:

- (a) the value of the easements which is used for the purposes of assessing the land tax that is payable; and

- (b) the value of the easements which is assumed for the purposes of the *revenue determination* for the *regulatory control period*,
and an *easements tax change event* does not include an event described in paragraphs (a), (b) or (c) of the definition of *tax change event*.

Negotiated Transmission Service Pricing Criteria

For a *Transmission Network Service Provider* under a *transmission determination*, the criteria set out in that *transmission determination* pursuant to clause 6A.9.4.

Negotiated Transmission Service Pricing Principles

The principles set out in clause 6A.9.1.

registered network pricing software

The *transmission service* pricing software specified in clause 6.8.

[36] Chapter 10 – Glossary

In Chapter 10, insert, in alphabetical order, the following new definitions:

AARR

The *aggregate annual revenue requirement* for *prescribed transmission services*.

annual service revenue requirement

Has the meaning set out in clause 6A.22.2.

ASRR

The *annual service revenue requirement*.

attributable connection point cost share

Has the meaning set out in clause 6A.22.4.

attributable cost share

Has the meaning set out in clause 6A.22.3.

categories of prescribed transmission services

For the purposes of pricing for *prescribed transmission services*:

- (a) *prescribed entry services*;
- (b) *prescribed exit services*;
- (c) *prescribed common transmission services*; and
- (d) *prescribed TUOS services*.

cost reflective network pricing methodology or CRNP methodology or modified CRNP methodology

The cost allocation methodologies described in schedule 6A.3.

National Electricity Market

Has the same meaning as in the *National Electricity Law*.

Negotiated Transmission Service Criteria

For a *Transmission Network Service Provider* under a *transmission determination*, the criteria set out in that *transmission determination* pursuant to clause 6A.9.4.

Negotiated Transmission Service Principles

The principles set out in clause 6A.9.1.

NEM

The *National Electricity Market*.

over-recovery amount

Any amount by which the revenue earned from the provision of *prescribed transmission services* in previous *financial years* exceeds the sum of the *AARR* in those *financial years*, grossed up by the application of an annual interest rate approved by the *AER* for this purpose.

prescribed common transmission services

Prescribed transmission services that provide equivalent benefits to all *Transmission Customers* who have a *connection point* with the relevant *transmission network* without any differentiation based on their location within the *transmission system*.

prescribed entry services

Entry services that are *prescribed transmission services* by virtue of the operation of clause 11.6.11.

prescribed exit services

Exit services that are *prescribed transmission services* by virtue of the operation of clause 11.6.11 and *exit services* provided to *Distribution Network Service Providers*.

prescribed TUOS services or prescribed transmission use of system services;

Prescribed transmission services that:

- (a) provide different benefits to *Transmission Customers* who have a *connection point* with the relevant *transmission network* depending on their location within the *transmission system*; and
- (b) are not *prescribed common transmission services*, *prescribed entry services* or *prescribed exit services*.

pricing methodology

For a *Transmission Network Service Provider*, means the pricing methodology approved by the *AER* for that *Transmission Network Service Provider* and included in a *transmission determination* as referred to in rule 6A.24.

pricing methodology guidelines

Guidelines made by the *AER* under rule 6A.25 that contain the matters set out in clause 6A.25.2.

Pricing Principles for Prescribed Transmission Services

The principles set out in rule 6A.23.

stand-alone amount

For a *category of prescribed transmission services*, the costs of a *transmission system* asset that would have been incurred had that *transmission system* asset been developed, exclusively to provide that *category of prescribed transmission services*.

terms and conditions of access

The terms and conditions described in clause 6A.1.2.

transmission services access dispute

A dispute between a *Transmission Network Service Provider* and a *Service Applicant* as to *terms and conditions of access* for the provision of *prescribed transmission services* or for the provision of *negotiated transmission services* as referred to in clause 6A.1.2, that is for determination by a *commercial arbitrator* under Part K of Chapter 6A.

under-recovery amount

Any amount by which the sum of the *AARR* in previous *financial years* exceeds the revenue earned from the provision of *prescribed transmission services* in those previous years, grossed up by the application of an annual interest rate approved by the *AER* for this purpose.

[37] Chapter 10 – Glossary

In Chapter 10, omit the current corresponding definitions and substitute the following definitions:

aggregate annual revenue requirement

For *prescribed transmission services*, the meaning in clause 6A.22.1 and for any other service, the calculated total annual revenue to be earned by an entity for a defined class or classes of service.

commercial arbitrator

A dispute resolution panel (within the meaning of section 58 of the *National Electricity Law*) established pursuant to clause 6A.30.2(b).

common service

A service that ensures the integrity of a *distribution system* and benefits all *Distribution Customers* and cannot reasonably be allocated on a locational basis.

Co-ordinating Network Service Provider

A *Network Service Provider* appointed by multiple *Transmission Network Service Providers* to allocate *AARR* in accordance with rule 6A.29.

entry charge

The charge payable by an *Embedded Generator* to a *Distribution Network Service Provider* for an *entry service* at a *distribution network connection point*.

entry cost

For each *distribution network connection point*, the amount of the *aggregate annual revenue requirement* for all individual assets classified as *entry service* assets which provide *entry service* for the *connection point*.

exit charge

The charge payable by a *Distribution Customer* to a *Distribution Network Service Provider* for *exit service* at a *distribution network connection point*.

exit cost

For each *distribution network connection point*, the amount of the *aggregate annual revenue requirement* for all individual assets classified as *exit service* assets which provide *exit service* for the *connection point*.

pass through event

Any of the following events:

- (a) an *insurance event*;
- (b) a *regulatory change event*;
- (c) a *service standard event*;
- (d) a *tax change event*; or
- (e) a *terrorism event*.

regulated interconnector

An *interconnector* which is referred to in clause 11.8.2 of the *Rules* and is subject to *transmission service* regulation and pricing arrangements in Chapter 6A.

Service Applicant

A person who is an existing or intending *Registered Participant* or a person who is eligible to become a *Registered Participant*.

time

Eastern Standard Time, being the time at the 150th meridian of longitude east of Greenwich in England, or Co-ordinated Universal Time, as required by the *National Measurement Act*.

[38] Clause 11.6.1 Definitions

Omit the definition of SP AusNet and substitute:

SP AusNet means SPI PowerNet Pty Ltd ACN 079 798 173.

[39] Clause 11.6.3 Old Part C and Schedules 6.2, 6.3, 6.4, 6.7 and 6.8 of old Chapter 6

Omit “this rule 11.6,” and insert “this rule 11.6 and rule 11.8,”.

[40] Clause 11.6.12 Powerlink transitional provisions

After clause 11.6.12(m) insert:

- (n) Subject to rule 11.8, old Part C (including Schedules 6.2, 6.3, 6.4, 6.7 and 6.8 of old Chapter 6) continues to apply for the duration of the transitional regulatory control period.

[41] Clause 11.6.19 EnergyAustralia transitional provisions

In clause 11.6.19(a), omit the definition of “trigger event” and insert:

trigger event means an event identified as a trigger in Appendix A of the Determination in respect of a contingent project.

triggered contingent project means the contingent project referred to in Appendix A of the Determination as “A.1 Replacement of Feeders 908/909”.

[42] Clause 11.6.19

In clause 11.6.19 (b), after “Determination” insert “from the commencement date”.

[43] Clause 11.6.19

Omit clause 11.6.19 (d)(1)(i) and (ii) and substitute:

- (i) the total capital expenditure which the AER considers is reasonably required for the purpose of undertaking the *contingent project* including any amount for forecast capital expenditure already included in the Determination in respect of the triggered contingent project;
- (ii) the forecast capital and incremental operating expenditure for that contingent project (in addition to any amount for forecast capital expenditure already included in the Determination in respect of the triggered contingent project) for each remaining regulatory year of the current regulatory control period, which the AER considers is reasonably required for the purpose of undertaking the contingent project in accordance with Appendix A of the Determination;

[44] Clause 11.6.21 SPI Powernet savings and transitional provision

Omit clause 11.6.21(a) and substitute:

- (a) In this clause 11.6.21:

easements tax change event means a change in the amount of land tax that is payable by SPI PowerNet in respect of the easements which are used for the purposes of SPI PowerNet’s *transmission network* where that change results in SPI PowerNet incurring higher or lower costs in providing *prescribed transmission services* than it would have incurred but for that event. For these purposes the change in the amount of land tax that is payable by SPI PowerNet must be calculated by applying the relevant land tax rate to the difference between:

- (1) the value of the easements which is used for the purposes of assessing the land tax that is payable; and

- (2) the value of the easements which is assumed for the purposes of the *revenue determination* for the *regulatory control period*,
 and an *easements tax change event* does not include an event described in paragraphs (a), (b) or (c) of the definition of *tax change event*.

Regulated owner and **SPI PowerNet** both have the meaning provided in clause 9.3.1(2) of the *Rules*.

[45] Clause 11.6.21

After clause 11.6.21(c) insert:

- (d) For the purposes of a *revenue determination* for SPI PowerNet (including but not limited to, a 2008 determination as defined in clause 11.6.18(a)), a *pass through event* includes an easements tax change event.

[46] Italicising of certain defined terms

Italicise the words listed in column 1 as they occur in the clauses referred to in column 2:

Column 1	Column 2
Connection Applicant	Clause 5.4A(f)(3)(i)
capital expenditure objectives	Clauses 6A.6.7(c)(2) and(3)

[47] Rule 11.8 Savings and transitional rules

After rule 11.7, insert:

11.8 Rules consequent on making the National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006

11.8.1 Definitions

Subject to this rule 11.8, in this rule 11.8:

agreed interim requirements means interim requirements that are equivalent to the requirements of the *pricing methodology guidelines* referred to in rule 6A.25 and have been developed in consultation with the relevant providers for the purposes of a proposed 2008 pricing methodology.

ElectraNet means ElectraNet Pty Ltd ACN 094 482 416 trading as ElectraNet.

existing assets means *transmission system* assets in existence as at 24 August 2006.

previous regulatory determinations means the decision (including the reasons for decision) made under clause 2.5.2(c) of the National Electricity Code or clause 2.5.2(c) of the *Rules* (as the case may be):

- (1) by the ACCC, entitled the “Murraylink Transmission Company Application for Conversion and Maximum Allowable Revenue” dated 1 October 2003; and
- (2) by the AER, entitled “Directlink Joint Ventures’ Application for Conversion and Revenue Cap” dated 3 March 2006.

Pricing Rule commencement date means the date on which the National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 commences operation.

relevant provider means SPAusNet, ElectraNet or VENCORP.

SPAusNet means SPI PowerNet Pty Ltd ACN 079 798 173.

2008 pricing methodology means a pricing methodology to be made in 2008 for a relevant provider.

VENCORP means the Victorian Energy Networks Corporation established under the Gas Industry Act 1994(Vic) and continued under the Gas Industry Act 2001(Vic).

11.8.2 Regulated interconnectors

- (a) All *interconnectors* that formed part of the *power system* in the *participating jurisdictions* as at 31 December 1997 continue to be taken to be *regulated interconnectors*.
- (b) All *interconnectors* that ceased to be classified as a *market network service* by a previous regulatory determination made before 28 December 2006 are taken to be *regulated interconnectors*.
- (c) All *interconnectors* that, by a decision made after 28 December 2006 under clause 2.5.2(c) of the *Rules* cease to be classified as a *market network service* are taken to be *regulated interconnectors*.

11.8.3 Application of new Part J of Chapter 6A to Transmission Network Service Providers

- (a) Subject to this rule 11.8, a *Transmission Network Service Provider* is not required to submit a proposed *pricing methodology* to the AER under the new Part J of Chapter 6A until a date that is 13 months before the expiry of a current *regulatory control period*.

- (b) For the purposes of this clause 11.8.3, the transitional regulatory control period referred to in rule 11.6.12 (a) for Powerlink is taken to be the current *regulatory control period*.

11.8.4 Reliance on agreed interim guideline for ElectraNet, SPAusNet, and VenCorp

For the purpose of making a 2008 pricing methodology, anything that must be done in accordance with the *pricing methodology guidelines* must instead be done in accordance with the agreed interim requirements.

11.8.5 Prudent discounts under existing agreements

- (a) A *Transmission Network Service Provider* may continue to recover discounts arising as a result of agreements that were entered into prior to 10 October 2001 so long as the agreement remains in effect and its terms are not renegotiated.
- (b) A *Transmission Network Service Provider* may continue to recover discounts arising as a result of agreements that were entered into prior to 28 December 2006 so long as the agreement remains in effect and its terms are not renegotiated.
- (c) The *AER* is not required to re-approve discounts arising under paragraphs (a) or (b) that were approved prior to 28 December 2006, and any approval for the recovery of such discounts is valid so long as the agreement between the *Transmission Network Service Provider* and the *Transmission Customer* remains in effect and its terms are not renegotiated.

11.8.6 Application of prudent discounts regime under rule 6A.26

- (a) Despite clause 11.6.3, a *Transmission Network Service Provider* may apply rule 6A.26 during a current regulatory control period (as defined in clause 11.6.1).
- (b) Where a *Transmission Network Service Provider* applies to the *AER* under clause 6A.26.2 for approval to recover a proposed recovery amount in circumstances where paragraph (a) applies, the *AER* must make a determination in accordance with clause 6A.26.2 notwithstanding that there is no approved *pricing methodology* for that provider.

11.8.7 Prudent discounts pending approval of pricing methodology

- (a) This clause 11.8.7 applies where:
 - (1) a *Transmission Network Service Provider* has submitted or resubmitted a proposed *pricing methodology* to the *AER* under clause 6A.10.1, 6A.11.2 or 6A.12.3;
 - (2) the *AER* has not made a final decision approving or amending that methodology under rule 6A.13; and

- (3) a *Transmission Customer* requests the provider to charge lower prices for *prescribed TUOS services* or *prescribed common transmission services* than the prices determined in accordance with the provider's *pricing methodology* as referred to in clause 6A.26.1(d).
 - (b) Despite clause 6A.26.1, a *Transmission Network Service Provider* may agree to charge lower prices for *prescribed TUOS services* or *prescribed common transmission services* than the prices determined as referred to in clause 6A.26.1(d) in accordance with:
 - (1) in the case where the *AER* has made a draft decision in which it proposes to approve a proposed *pricing methodology*, - that proposed *pricing methodology*; or
 - (2) if subparagraph (1) does not apply, the *pricing methodology* most recently approved for that *Transmission Network Service Provider* prior to the proposed *pricing methodology* referred to in subparagraph (a)(1); or
 - (3) if there is no a previously approved *pricing methodology* for that *Transmission Network Service Provider*, - the previous method used by the *Transmission Network Service Provider* to establish prices, however determined must be used in place of an approved *pricing methodology*.
 - (c) Where a *Transmission Network Service Provider* applies to the *AER* under clause 6A.26.2 for approval to recover a proposed recovery amount in circumstances where paragraphs (a) and (b) apply, the *AER* must make a determination in accordance with clause 6A.26.2 notwithstanding that the reduced charges were agreed before a *pricing methodology* was approved.
 - (d) The subsequent approval by the *AER* of a *pricing methodology* for a *Transmission Network Service Provider* does not require the provider to adjust, reverse or recompense any amounts to *Transmission Customers* in connection with charges for services established pursuant to this clause 11.8.7.
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