

ELECTRICITY TRANSMISSION NETWORK owners

Draft National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006

Submission in Response to AEMC Draft Rule
Determination

30 November 2006



Draft Prescribed Transmission Services Pricing Rule 2006

ETNOF Response to AEMC Draft Rule Determination

1. Introduction

The AEMC (“the Commission”) has recently published the Draft National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 and an accompanying Draft Pricing Determination. The Draft Pricing Rule and Determination follows the release in August 2006 of a Proposed Pricing Rule, and a subsequent consultation process. The Electricity Transmission Network Owners Forum (“ETNOF”)¹ welcomes the opportunity to comment on the Commission’s Draft Pricing Rule.

Following the publication of the Draft Pricing Rule, ETNOF representatives met with Commission staff on 27 November 2006 to raise a number of important issues regarding the interpretation of the Draft Pricing Rule. In light of this meeting, and the limited time available to the Commission to consider further amendments to the Draft Pricing Rule, this submission focuses only on the key issues from ETNOF’s perspective.

ETNOF has engaged Gilbert & Tobin to provide advice on matters relating to the drafting of the Draft Pricing Rule. Gilbert & Tobin’s advice is provided as an attachment to this submission.

2. ETNOF’s Key Issues

2.1 Price levels

ETNOF notes that the Commission’s Draft Pricing Determination (page 38) recognised that the Draft Pricing Rule would produce a wealth transfer from existing loads to generators. Provisional analysis indicates that this wealth transfer may result in an increase of more than 10% in the transmission charges paid by some large customers.

The rebalancing of charges is caused principally by:

- The Commission’s preference to deduct inter-regional and intra-regional settlements residues from the AARR, rather than continuing with the current pricing arrangements; and
- The Commission’s approach to cost allocation, which is likely to reclassify some connection assets as transmission use of system assets.

ETNOF wishes to ensure that the Commission is aware of the likely impact that its Draft Pricing Rule could have on particular customers and customer groups. In this regard, ETNOF would be pleased to provide further details of its analysis to the Commission on a confidential basis if the Commission would find this useful.

2.2 Revenue recovery

The Draft Pricing Rule should contain a provision which confirms that every portion of the AARR must be allocated to a service category. Without such a provision, the Draft Pricing

¹ ETNOF members are: ElectraNet Pty Limited, Powerlink Queensland, SP AusNet, Transend Networks and TransGrid.

Rule does not provide TNSPs with sufficient protection that the Pricing Rule will in fact allow the TNSP to fully recover its AARR.

For example, the Draft Pricing Rule does not allow for the recovery of any shortfall which may result from the application of the 2% side constraint (rule 6A.24.4(f)). The inclusion of a provision that explicitly entitles a TNSP to recover the whole of its AARR would reduce the risk of this type of unintended consequence.

Gilbert & Tobin has provided suggested drafting that would address the matter noted above.

2.3 Directly attributable on a causation basis

ETNOF is concerned that applying the concept of *directly attributing costs on a causation basis* (as required by clauses 6A.22.4 and 6A.22.5) may create serious practical difficulties. ETNOF is also concerned that the cost allocation process in the Draft Pricing Rule should properly reflect the negotiated connection prices that are contemplated in clause 11.6.3.

In light of ETNOF's discussions with the Commission's staff, section 3 of this submission sets out ETNOF's understanding of how the Draft Pricing Rule is intended to operate. ETNOF is seeking confirmation from the Commission that ETNOF's interpretation is correct or, alternatively, to have those matters that ETNOF may have misinterpreted clarified.

2.4 Treatment of existing connection agreements

In its earlier "Pricing Rule Proposal Report" the Commission explained that the cost allocation process in the Pricing Rule is not intended to apply to connection services where the connection agreement sets the price for these services²:

"Finally, the Commission highlights that where pricing for Prescribed Entry and Exit Services is currently determined under the terms of connection agreements entered into on or before 24 August 2006, these Rules do not apply"

The Pricing Rule Proposal gave effect to the Commission's proposed approach through rule 6A.33. ETNOF notes that the Commission's Draft Pricing Determination made the following comments in response to a concern raised by Hydro Tasmania in relation to the calculation of connection charges:

"Regarding comments made by Hydro Tasmania on savings and transitional arrangements, the Commission has come to the view that the originally proposed clause 6A.33 is unnecessary. Where a connection agreement provides for the calculation and determination of prices for entry or exit services, such services will not be prescribed services under [draft] clause 11.5.11³. Therefore, there is no need to 'grandfather' the charging regime for such services. On the other hand, as previously stated, where an entry connection agreement defers the connection charge determination to regulatory arrangements such as the Rules or National Electricity [Code] or is silent on price the arrangements for negotiated Transmission Services will apply with respect to price."

Based on the above explanation provided by the Commission, ETNOF understands that:

- the cost allocation process set out in the Draft Pricing Rule does not apply to existing connection services that are not prescribed services (rule 11.6.11); and

² AEMC, Pricing Rule Proposal Report, page 64.

³ It should be noted that this rule is numbered "11.6.11" in the Final Rule for transmission revenue.

- a TNSP is able to negotiate in relation to an existing entry connection agreement which makes reference to the connection charge being determined in accordance with the Rules or National Electricity Code (rule 11.6.3).

Whilst this overall approach appears to be reasonable, ETNOF considers that the Commission's intended approach as outlined in its Draft Pricing Determination would best be achieved by amending rule 11.6.3 so that:

- it also applies to exit services for directly connected customers, and therefore provides consistency between the categories of connection services that are subject to 11.6.3 and those that are subject to the negotiating framework; and
- where 11.6.3 applies, the resulting negotiated prices should determine the allocation of the AARR to those connection services. This amendment will ensure that inconsistencies do not arise between the cost allocation process in rules 6A.24.2 and 6A.24.3, and the negotiated outcomes in 11.6.3.

To address this issue, Gilbert & Tobin has proposed drafting changes in the attachment to this submission.

2.5 Side constraints

ETNOF has previously raised concerns that the application of the 2 per cent side constraint may inappropriately constrain price increases where a customer seeks a material increase in load.

ETNOF has some practical concerns with the application of the 2 per cent side constraint as presently drafted in clause 6A.24.4(f). In particular, the side constraint may not be appropriate in circumstances where the customer requires a significant change to its connection capacity at an existing connection point. ETNOF's view is that the application of the 2 per cent side constraint may result in the existing customer being treated more favourably than a new customer seeking exactly the same service at that connection point.

To address this issue, Gilbert & Tobin has proposed some drafting changes in the attachment to this submission.

2.6 Procedure for approval of pricing methodology

ETNOF's earlier submission to the Commission's Proposed Pricing Rule included procedures for the approval of the pricing methodology that created timing difficulties. In response to the issues raised by ETNOF, the Commission has suggested that TNSPs could price on the basis of a draft methodology, and adjust prices subsequently to reflect the final approved methodology.

ETNOF notes that the Draft Pricing Rule does not presently allow for draft prices to be set as suggested by the AEMC in its Draft Pricing Determination (on page 63). In addition, in ETNOF's view it would be administratively impractical to retrospectively adjust prices to reflect differences between the draft and final pricing methodologies.

In light of its discussions with Commission staff, ETNOF believes that the Rules should reflect the following approval process:

- If the AER's Draft Decision (as required by clause 6A.26.7) is to approve the proposed pricing methodology, prices for the first year of the forthcoming regulatory period should apply the proposed pricing methodology.

- If the AER's Draft Decision (as required by clause 6A.26.7) is not to approve the proposed pricing methodology, prices for the first year of the forthcoming regulatory period should apply the pre-existing pricing methodology.

Furthermore, the Pricing Rule should explicitly state that there should be no retrospective adjustments to prices in the first year of the regulatory period as a result of the application of the process outlined above. It is noted that such a provision would be consistent with clause 6A.26.15(b), which states that if the AER amends an existing pricing methodology, the amended methodology applies from the date of that decision for the remainder of the relevant regulatory control period.

To give effect to the approval process described above, Gilbert & Tobin has proposed some drafting changes in the attachment to this submission.

3. ETNOF's understanding of the cost allocation process

As noted in section 2.3 above, ETNOF believes that it is essential that the concept of *directly attributing costs on a causation basis* (as required by clauses 6A.22.4 and 6A.22.5) can be clearly understood and implemented in practice. This section describes ETNOF's understanding of how the Commission intends the cost allocation process to operate. ETNOF is seeking clarification from the Commission on any matters that ETNOF may have misunderstood or misinterpreted.

In setting out its understanding of the practical application of the cost allocation process, ETNOF has highlighted (in "drafting notes" set out below) areas in which changes may be required to clarify the Draft Pricing Rule.

3.1 Allocation of the AARR to the categories of prescribed transmission services

ETNOF understands that the requirements of the Draft Pricing Rule are as follows:

- (a) Each TNSP must conduct a desk top exercise to allocate the costs of assets to the categories of prescribed transmission services (rule 6A.22.4).
- (b) The desk top exercise should be conducted as at 24 August 2006 (rule 11.6.2). The exercise should identify "which assets are required to provide each category of prescribed transmission service" (as discussed with Commission staff).

Drafting note 1: It is not clear why 24 August 2006 is the most appropriate date. For example, Transend will not be required to submit its pricing methodology in accordance with the Pricing Rule until 2008. ETNOF believes that it would be more appropriate to define the date of the desk top study as "7 months prior to the commencement of the first year in which the pricing methodology will apply."

- (c) The desk top exercise may suggest that some assets could be allocated to more than one category of service. In these cases, the priority ordering should apply (rule 6A.24.2(d)) to ensure that the cost of each asset is only allocated once (rule 6A.24.2(c)).

Drafting note 2: The Draft Pricing Rule currently applies the priority ordering to the *attributable cost share* (rule 6A.24.2(d)), whereas it would appear more appropriate to apply the priority ordering to the allocation process described in rule 6A.22.4(a)(1).

- (d) Costs of assets that are constructed after 24 August 2006 should be allocated to each category of transmission service on the basis of causation as each asset is constructed (rule 6A.22.4(a)(1)).

- (e) Application of the causation principle implies that once an asset cost has been allocated to a particular service category its allocation is not revisited. The only exception is that assets may be reallocated from the *negotiated services* category to *prescribed services* in accordance with rule 6A.19.2(8).
- (f) The AARR (as adjusted in accordance with rule 6A.22.2) is allocated to each service category to reflect substantially the percentage of the total asset costs that is employed in the provision of that service (rule 6A.24.2).

3.2 Allocation of the AARR to the connection services

ETNOF understands that the requirements of the Draft Pricing Rule are as follows:

- (a) Where a connection agreement for entry services exists on or before 24 August 2006, and that connection agreement:
 - makes no provision as to the prices for those services; or
 - provides that prices for those services are to be calculated and determined in accordance with applicable pricing rules under the National Electricity Rules, as in force from time to time (or words to that effect), then

the connection price may be negotiated as if the service were a negotiated transmission service (rule 11.6.3(b)).

Drafting note 3: As noted in section 2.4 of this submission, ETNOF believes that this rule should also relate to exit services for directly connected customers. Gilbert & Tobin has proposed drafting changes in the attachment to this submission.

Drafting note 4: As noted in section 2.4 of this submission, if the price for connection services is to be negotiated, it seems reasonable that the allocation of the AARR to connection services should reflect the negotiated outcome. On this basis, ETNOF considers that that the rules should contain a provision that expressly provides for the allocation of the AARR to connection services to reflect the pricing outcomes negotiated. Gilbert & Tobin has proposed drafting changes in the attachment to this submission.

- (b) Exit services to directly connected customers and entry services entered into after 9 February 2006 would be classified as *negotiable services*, and therefore would not be subject to the Pricing Rule (in accordance with the definition of *negotiated transmission service* in the Transmission Revenue Rule and rule 11.6.11).
- (c) If transmission investment (including augmentation or asset replacement) at a connection point causes an existing connection agreement to be re-negotiated, then the services provided under the new connection agreement are to be classified as a *negotiable service* (rule 11.6.11 as discussed in the AEMC's Draft Pricing Determination page 48).

3.3 Allocation of entry and exit ASRRs to transmission connection points

ETNOF understands that the requirements of the Draft Pricing Rule are as follows:

- (a) The allocation of the proportion of AARR that is attributed to entry and exit services (the ASRR for entry and exit services) must in turn be allocated to transmission connection points (rule 6A.24.3). This allocation is considered to be a reasonably straightforward task, and therefore a priority ordering arrangement akin to that set out

in rule 6A.24.2(d), is not required in relation to the allocation of ASRR to connection points.

- (b) The allocation of entry and exit ASRRs to transmission connection points does not require a consideration of which customers caused the connection asset to be constructed. Therefore, if a connection point is shared by two or more parties the pricing Rule does not require a TNSP to identify which party “caused” the connection asset to be constructed.
- (c) The Draft Pricing Rule specifies cost allocation as far as the connection point level, but it is silent on the allocation of costs between customers connected at a single connection point. This is a matter that may be addressed in each TNSP’s pricing methodology.

4. Other issues

4.1 Schedule 6A.4

Schedule 6A.4 provides an overview of the CRNP and modified CRNP methodologies, and requires that the ASRR is allocated on basis of optimised replacement costs. To ensure consistency between Schedule 6A.4 and the definition of asset value employed in rules 6A.22.4 and 6A.22.5, any references to “optimised replacement cost” in Schedule 6A.4 should be changed to: “optimised replacement cost or costs that are referable to values contained in accounts of the Transmission Network Service Provider”.

4.2 Prudent Discounts

Rule 11.6.11 is a transitional provision made following the AEMC’s review of the transmission revenue provisions. Rule 11.6.11 provides as follows:

“Subject to this rule 11.6, old Part F of Chapter 6 continues to apply for the duration of a current regulatory control period.”

It would be desirable and consistent with the objective of investment certainty if draft Rule 6A.27, relating to prudent discounts commenced from 1 January 2007. There are considerable benefits to the framework that would apply to prudent discounts under the draft Rule that should be captured prior to that draft Rule applying to individual TNSPs as from their next regulatory period. As identified by the AEMC in the Draft Rule Determination, these benefits include:

“...allowing (but not obliging) a TNSP to seek ‘up-front’ approval of a discount from the AER and for such an approval to remain effective for the duration of the TNSP’s agreement with the relevant Transmission Customer; and

providing a process to be followed by the AER in dealing with the up-front application for a prudent discount.”⁴

It is also considered desirable that where the AER has made a draft decision in which it proposes to approve the pricing methodology submitted by the TNSP and, if at the time at which a transmission network customer approaches the TNSP for a prudent discount, the AER has not yet made a final decision approving or amending that methodology, the TNSP is able to enter into agreements for prudent discounts under draft Rule 6A.27.1 on the basis of that draft decision.

⁴ Australian Energy Market Commission, *Draft Rule Determination – Draft National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006*, 19 October 2006, page 6.

Proposed drafting changes aimed at achieving these outcomes are set out in the attachment to this submission.

4.3 Application of Rule 11.6.4 to Powerlink

Powerlink is currently in the process of applying to the AER for an approved revenue cap for the period 1 July 2007 to 30 June 2012. As provided for in Rule 11.6.12, with a few exceptions, the old Chapter 6 continues to apply in respect of the AER setting the revenue cap for the regulatory control period of 1 July 2007 to 30 June 2012.

Draft Rule 11.6.4 provides as follows:

“Subject to this rule 11.6, a Transmission Network Service Provider is not required to submit a proposed pricing methodology to the AER under the new Part J until a date that is 13 months before the expiry of a current regulatory control period.”

It would be desirable to make it explicit that, for the purposes of this Rule, Powerlink’s “current *regulatory control period*” is taken to be the period 1 July 2007 to 30 June 2012. This is to reflect the fact that when the Rule commences, it will be within 13 months of the expiry of Powerlink’s current regulatory period. Drafting amendments have been suggested in the attachment to deal with Powerlink’s particular circumstances.

5. Concluding comments

Given the importance of the matters raised in this submission and the tight timeframe to which the AEMC is working, ETNOF believes that it is important for the Commission to work more directly with TNSPs to ensure that the Final Pricing Rule can be applied in practice. ETNOF would be pleased to discuss any of the issues raised in this submission with AEMC staff or commissioners, and would welcome the opportunity to review a further draft of the Pricing Rule.

30 November 2006

To ETNOF
From Gilbert + Tobin
Matter No 0100016
Subject **Draft National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006**

Set out below is drafting for each of the issues identified in ETNOF's submission on the Draft National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006.

1 Principle that a TNSP should be able to recover all its AARR to mirror the existing principle that there should be no “double dipping” by TNSPs

6A.22.1 Outline of Part J

- (a) This Part J regulates the prices that may be charged by *Transmission Network Service Providers* for the provision of *prescribed transmission services* by establishing a series of prices that are designed to permit each *Transmission Network Service Provider* to earn the whole of its *aggregate annual revenue requirement* and only the amount of the *aggregate annual revenue requirement*.

6A.24.2 Principles for the allocation of the AARR to categories of prescribed transmission services

The *aggregate annual revenue requirement (AARR)* 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. This allocation results in the *annual service revenue requirement (ASRR)* for that 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 or operating and maintenance cost 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 transmission use of system services*, but only to the extent of the *stand-alone amount* for those *categories of prescribed transmission services*; and
 - (2) if any portion of the costs of a *transmission system* asset is not allocated to *prescribed transmission use of system 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*; ~~and~~
- (d3) if any portion of the costs of a *transmission system* asset is not *otherwise* attributed to *prescribed transmission services* under ~~subparagraphs (1) and (2)~~ this rule 6A.24.2, that portion is to be ~~attributed-allocated~~ to *prescribed transmission use of system services – non-locational component, prescribed entry services and prescribed exit services.*

2 Reducing the circularity in the definition of AARR and the maximum allowed revenue

6A.3.1 The revenue that a *Transmission Network Service Provider* may earn in any regulatory year of a regulatory control period from the provision of *prescribed transmission services* is the maximum allowed revenue subject to any adjustments referred to in clause 6A.3.2, and is to be determined in accordance with:

- (1A) the *post-tax revenue model*, such that the sum of the *maximum allowed revenues* for each *regulatory year of a regulatory control period* is equal to the *total revenue cap*;
- (1) the revenue determination forming part of the applicable transmission determination; and
- (2) the provisions of this Part C.

3 Side constraints

- (f) Prices for recovering the locational component of the ASRR for the provision of *prescribed transmission use of system services*:
- (1) 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 unless, since the last time prices were set, the load at the connection point has increased and in connection with that increase the User requested a renegotiation of its connection agreement with the Transmission Network Service Provider in which case the increase may exceed 2 per cent per annum; and
 - (2) if, in the case of a rise in price, the operation of sub-rule (f)(i) would otherwise result in part of the locational component of the ASRR not being recovered in charges for prescribed transmission use of system services, the shortfall may be recovered through adjusting upward the charges that would otherwise apply in respect of the non-locational component of the prescribed transmission use of system services; and
 - (3) if, in the case of a fall in price, the operation of sub-rule (f)(i) would otherwise result in an double-recovery of the locational component of the ASRR through charges for prescribed transmission use of system services, the over-recovery must be offset by adjusting downward the charges that would otherwise apply in respect of the non-locational component of the prescribed transmission use of system services.

4 Where a pricing methodology has not yet been approved by the AER but the TNSP is required to generate prices

- (e) If:
- (1) a Transmission Network Service Provider has submitted to the AER a proposed pricing methodology under rule 6A.26.2, 6A.26.4 or 6A.26.8; and
 - (2) by the time that the Transmission Network Service Provider is reasonably required to commence the process of setting prices, the AER has not yet made a final decision approving or amending that methodology,
- then:
- (3) the Transmission Network Service Provider must set its prices with the references in sub-rule 6A.23(b) to the pricing methodology approved by the AER taken to be a reference to the following:
 - A. if the AER has made a draft decision in which it proposes to approve the pricing methodology then that proposed pricing methodology;
 - B. if sub-paragraph A. does not apply, the pricing methodology most recently approved for that Transmission Network Service Provider prior to the proposed pricing methodology referred to in sub-paragraph (e) then that previously approved pricing methodology; and
 - C. if sub-paragraph A does not apply and there is not a previously approved pricing methodology for that Transmission Network Service Provider then the previous method used by the Transmission Network Service Provider to establish prices (even if that be a method which pre-dates the adoption of this Rule) must be used

in place of a pricing methodology, and

(4) at no time is a Transmission Network Service Provider (even after the AER has approved a pricing methodology) required to adjust, reverse or recompense any amounts to transmission users or their customers in connection with charges for services established pursuant to this paragraph (e).

5 Facilitating the effective coordinating TNSP role

(e) Each Transmission Network Service Provider within a region must promptly provide any information reasonably requested by that region's Co-ordinating Network Service Provider to enable it to perform the co-ordination function.

(f) Unless the Co-ordinating Network Service Provider has undertaken the co-ordination function in bad faith or recklessly, no claim may be made against it in connection with the performance of that function.

6 Catering for the existence of MNSPs in the pricing rule

6.A.24.3 Principles for the allocation of the ASRR for 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 a transmission network connection point ~~of a Generator~~ 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 ~~of Transmission Customers~~ in accordance with the attributable connection point costs share for prescribed exit services that are provided by the Transmission Network Service Provider at that connection point.

7 Reform of prudent discounts provisions to commence immediately upon commencement of the Rule

Amendment to 6A.27.1:

6A.27.1...

...(g) If:

- (1) a Transmission Network Service Provider has submitted to the AER a proposed pricing methodology under rule 6A.26.2, 6A.26.4 or 6A.26.8; and
- (2) a Transmission Network Customer approaches the Transmission Network Service Provider seeking a discount for prescribed transmission services and at this time the AER has not yet made a final decision approving or amending that

methodology,

then:

- (3) the Transmission Network Service Provider may enter into agreements for prudent discounts for prescribed transmission services with the references in paragraphs (a), (b), (c) and (f) to a pricing methodology approved by the AER taken to be a reference to the following:
- A. if the AER has made a draft decision in which it proposes to approve the pricing methodology then that proposed pricing methodology;
 - B. if sub-paragraph A does not apply, the pricing methodology most recently approved for that Transmission Network Service Provider prior to the proposed pricing methodology referred to in this paragraph (g) then that previously approved pricing methodology; and
 - C. if sub-paragraph A does not apply and there is not a previously approved pricing methodology for that Transmission Network Service Provider then the previous method used by the Transmission Network Service Provider to offer prudent discounts (even if that be a method which pre-dates the adoption of this Rule) must be used in place of a pricing methodology; and
- (4) at no time is a Transmission Network Service Provider (even after the AER has approved a pricing methodology) required to adjust, reverse or recompense any amounts to transmission users or their customers in connection with charges for services established pursuant to this paragraph (g).

Transitional arrangement for Rule 6A.27.1:

11.6.X Prudent discounts

- (a) Notwithstanding rule 11.6.4, Rule 6A.27 will have effect from 1 January 2007.
- [Note in the above provision, the numbering is confusing this refers to cl 11.6.4 of the Revenue Rules titled "Old Part F of Chapter 6.]
- (b) For the avoidance of doubt, a Transmission Network Service Provider may make an application to the AER for approval of proposed prudent discount amounts under Rule 6A.27.2, and the AER must make a determination under paragraphs (d) or (e) of Rule 6A.27.2 notwithstanding that the Transmission Network Service Provider may not have a pricing methodology.

8 Powerlink transitional

11.6.12 Powerlink transitional provisions

...

- (n) Subject to this clause 11.6.12 and with the exception of clause 11.6.X (Prudent Discounts), old Part C (including Schedules 6.2, 6.3, 6.4, 6.7 and 6.8) continues to apply for the duration of the transitional regulatory control period.
- (o) For the purposes of Rule 11.6.4 [titled Application of new Part J to Transmission Network Service Providers], Powerlink's current regulatory

control period is the transitional regulatory control period.

9 Other minor drafting clarifications

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

For the purposes of this Park J, the annual service revenue requirement (ASRR) for each category of prescribed transmission for each 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 that 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.24.2.

- (ii) the information contained in or accompanying the revised proposed pricing methodology differs in a material relevant respect from that contained in or accompanying the previous proposed methodology;

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

11.6.3 Prices for prescribed entry services and relevant prescribed exit services under existing agreements

- (a) For the purposes of this Rule 11.6.3, "relevant prescribed exit services" are prescribed exit services other than connection services that are provided by one Network Service Provider to another Network Service Provider to connect their networks where neither of the Network Service Providers is a Market Network Service Provider.
- (ba) This clause 11.6.3 applies to the calculation and determination of prices for transitioned *prescribed entry services* and relevant prescribed exit services, where a transitioned *connection agreement*:
- (1) makes no provision as to the prices for those services;
 - (2) provides that prices for those services are to be calculated and determined in accordance with applicable pricing rules under the National Electricity Rules, as in force from time to time (or words to that effect).
- (cb) Transitioned *prescribed entry services* and relevant prescribed exit services may be treated as *negotiated transmission services* for the purpose only of calculating and determining prices for those services, and the rules for calculating and determining prices for those services, and the rules for calculating and determining prices for *negotiated transmission services* in Part D of Chapter 6A may be applied to transitioned *prescribed entry services* and relevant prescribed exit services for that purpose.
- ~~(c) Transitioned prescribed entry services may be treated as negotiated transmission services for the purposes of cost allocation under Part G.~~
- (d) For the avoidance of doubt, nothing in this clause 11.6.3 alters the status of transitioned *prescribed entry services* or relevant prescribed exit services as *prescribed transmission*

services.

(e) To the extent that paragraphs (a) to (d) apply in establishing prices, Rules 6A.24.2 and 6A.24.3 apply as if:

(1) the AARR was reduced by the amount of the revenue expected to be earned from prices set under this Rule 11.6.3; and

(2) the services for which prices are established under this Rule 11.6.3 were not *prescribed transmission services.*