



Proposed National Electricity Amendment (Transmission Network Prices Publication Date) Rule 2009

Request for Submissions on a Specific Issue Explanatory Note

12 February 2009

Request for Submissions

The Australian Energy Market Commission (the Commission) invites written submissions and comments from interested parties on a specific issue raised by TransGrid with respect to Energy Australia's Transmission Network Prices Publication Date Rule change proposal ("the proposal"). Details on this issue are set out below. Submissions should not address any other matter concerning the proposal.

Submissions must be received by **6 March 2009** and should be forwarded to submissions@aemc.gov.au. Submissions must only address the specific issue that is outlined in this explanatory note and should cite the reference **ERC0069** on their cover page.

Background

On 27 June 2008, the Commission received a Rule change proposal from EnergyAustralia that sought to change the publication date of transmission prices from the 15 May to the 15 March. EnergyAustralia sought this Rule change because it would enable it to properly incorporate transmission prices when it sets its distribution prices.

On 20 November 2008, the Commission published a draft Rule determination relating to this Rule change request. The Commission decided not to make the proposed Rule because it found, on the information available to it, that the proposed Rule would not meet the National Electricity Objective.

On 12 February 2009, the Commission published a Notice under section 107A of the National Electricity Law. This notice seeks further public consultation on the specific issue identified below and extends the time period for the Commission to make its final Rule determination and, if appropriate, final Rule on this Rule change proposal until 26 March 2009. The Commission considers that the specific issue raised is of sufficient complexity to warrant this extension of time.

Specific Issue

In its submission on the draft Rule determination, TransGrid included a proposed rule which would permit Transmission Network Service Providers (TNSPs) to use the AER's draft decision on the maximum allowed revenue (MAR) in calculating transmission prices for the first year of a regulatory control period. This would facilitate the earlier publication of transmission prices and enable Distribution Network Service Providers (DNSPs) to have adequate time to incorporate the transmission prices into their distribution prices.

In TransGrid's view the rule would be necessary because the Rules currently provide for the final transmission revenue cap decision (and TransGrid's MAR) to be published before 30 April 2009.

Normally the final MAR would not be available until late April, but EnergyAustralia is seeking a much earlier publication date.

TransGrid's proposed rule would allow TNSPs to use the AER's draft decision on the MAR to set transmission prices. In the situation where the AER has approved a proposed MAR in its draft decision, the TNSP could use that proposed MAR to set transmission prices in the first year of a regulatory control period. In the situation where the AER has refused to approve a proposed MAR in its draft decision, TNSPs could use the MAR that the AER has substituted instead in its draft decision to set prices in the first year of a regulatory control period.

The proposed rule also provides for any under or over-recovery amount arising in the first pricing period to be recovered by adjustments to the Annual Service Revenue Requirement.

Proposed Draft Provisions

Below are the draft provisions for TransGrid's proposal Rule:

6A.24.4 Basis for setting prices pending approval of maximum allowed revenue

- (a) This clause 6A.24.4 applies where:
 - (1) a *Transmission Network Service Provider* has submitted or resubmitted a *Revenue Proposal* 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 *Revenue Proposal* under Rule 6A.13 by a date that is three months prior to the commencement of the first *financial year* that a *Revenue Proposal* referred to in subparagraph (1) would, if approved, apply (the **first pricing period**); and
 - (3) the provider is reasonably required to commence the process of setting prices for the first pricing year.
- (b) Despite any other applicable requirements in the *Rules*, a *Transmission Network Service Provider* may 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 the proposed *maximum allowed revenue* for the first pricing year – that proposed *maximum allowed revenue* amount;
 - (2) in the case where the *AER* has made a draft decision in which it has refused to approve the proposed *maximum allowed revenue* for the pricing year, the *maximum allowed revenue* for the first pricing year that the *AER* has substituted for that amount in the draft decision.
- (c) For the avoidance of doubt, any *over-recovery amount* or *under-recovery amount* arising from the application of this clause 6A.24.4 is to be treated in accordance with clause 6A.23.3(c)(2)(iii).