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Dear Dr Tamblyn

Clarification of the terms used by the AEMC in Issue A6: - Augmenting networks and managing congestion

The above generators seek clarification as to the meaning of the definition that the AEMC has provided with respect to the costs that are directly attributable to a (generator) participant's connection to a network, i.e. *negotiated use of system charges*. The AEMC definition includes *connection and extension assets* but appears to exclude the cost of *augmentations*, and *access charges* which are included in the Rules definition of *negotiated use of system charges*.

The AEMC has defined the direct connection costs that are subject to bilateral negotiations between connection applicants and network service providers as follows;

“As discussed in chapter A5, the current connection framework in the NEM requires new connecting parties to negotiate connection directly with a TNSP. The costs of connection include the costs that are directly contributable to their connection, e.g. their connection and extension assets. This represents a relatively sharp locational signal. It is, however, limited to connection and extension assets.”¹

¹ AEMC review of Energy market Frameworks in Light of Climate Change Policies - Cost of connection and extension assets - page 45

Costs directly attributable to a connection

The relevant provisions of the Rules would appear to be Rule 5.3.5 “Preparation of an offer to connect” which defines the extent of work relevant to bilateral negotiations between a *Connection Applicant* and an NSP for the preparation of an offer to *connect* and Rule 5.4A (e) to (h) Access arrangements relating to Transmission Networks.

Rule 5.3.5 “Preparation of an offer to connect”

Rule 5.3.5(d)², requires the NSP to assess the requirement for (and the costs of) all necessary *augmentations* and any possible material effect of this connection on the network power transfer capability including that of other networks to ensure that the levels of service and supply are maintained for existing *Registered Participants*.

The terms *augmentation* and *extension* are defined in the Rules as follows;

“augment, augmentation

Works to enlarge a *network* or to increase the capability of a *network* to transmit or distribute *active energy*.”

“extension

An *augmentation* that requires the *connection* of a power line or *facility* outside the present boundaries of the *transmission* or *distribution network* owned, controlled or operated by a *Network Service Provider*.”

From these definitions it can be seen that an *extension* is a particular type of *augmentation* i.e. an *augmentation* outside the boundaries of the transmission or distribution network.

The cost attributable to a particular connection application therefore includes the cost of the *connection*, *augmentation* and *extension* assets required to ensure that the levels of service and supply are maintained for existing *Registered Participants*.

We note also the Rule 5.3.5(d) does not distinguish between generators or loads in relation to determining the extent of work or cost, i.e. the Rules envisage that generators and large loads be treated in a consistent manner.

Rule 5.4A (e) to (h) Access arrangements relating to Transmission Networks.

Similarly in providing *transmission user access* arrangements with respect to generators Rule 5.4A(e) to (h)³ in determining the scope and the cost of the work to be provided by the *Transmission Network Service Provider* at the *connection point* includes *connection assets*, potential *augmentations* or *extensions* and in addition *access charges*.

Rule 5.4A(e) defines the scope of work which includes the *connection assets* to be provided by the *Transmission Network Service Provider* or otherwise at the *connection point*; and the potential *augmentations* or *extensions* required to be undertaken on all affected *transmission networks* or *distribution networks* to provide that level of *power transfer*

² Rule 5.3.5(d) Preparation of offer to connect is included in Appendix 1. This rule applies to all “Connection Applicants”, i.e. it includes generators and loads. The relevant parts of the clause are highlighted.

³ Rule 5.4A Access arrangements relating to Transmission Networks (e) to (h) is included in Appendix 2. The relevant parts of the clause are highlighted.

capability over the period of the connection agreement taking into account the amount of power transfer capability provided to other Registered Participants under transmission network user access or distribution network user access arrangements in respect of all affected transmission networks and distribution networks.

Rule 5.4A (f) to (g) defines the costs where the *Connection Applicant* is a *Generator* to include;

Rule 5.4A (f)

- a *connection service charge*,
- *negotiated use of system charges* or *use of system services charge*, i.e. a charge in relation to any *augmentations* or *extensions* required to be undertaken on all affected transmission networks and distribution networks,
- the amounts ('*access charges*') referred to in paragraphs (g)-(j),

Rule 5.4A (g)

- the costs reasonably incurred by the provider in providing *transmission network user access*,

Rule 5.4A (h)

- the compensation to be provided by the *Transmission Network Service Provider* to the *Generator* in the event that the *generating units* or group of *generating units* of the *Generator* are *constrained off* or *constrained on* during a *trading interval*; and
- the compensation to be provided by the *Generator* to the *Transmission Network Service Provider* in the event that *dispatch* of the *Generator's generating units* or group of *generating units* causes another *Generator's generating units* or group of *generating units* to be *constrained off* or *constrained on* during a *trading interval*.

The cost attributable to a particular connection application therefore includes the cost of the *connection*, *augmentation* and *extension* assets and if applicable *access charges* referred to in paragraphs 5.4A(g) to (j) the objective being to ensure that the levels of service and supply are maintained for existing *Registered Participants*.

We note also the Rule 5.4A does not distinguish between generators or loads in relation to determining the extent of work or cost except in relation to the *access charges* referred to in paragraphs 5.4A(g) to (j), i.e. the Rules envisage that generators and large loads be treated in a consistent manner.

In other parts of the Interim Report a similar definition arises or is also inferred such as in the section headed;

- "Locational signals for new generation plant"⁴,
"It is important to have market signals that promote efficient locational decisions for the significant levels of new generation investment forecast under the CPRS and expanded RET. Some of the factors influencing generation location decisions include: cost of connection and extension assets (negotiated transmission services); the expected price in a region (otherwise known as the Regional Reference Price

⁴ AEMC review of Energy market Frameworks in Light of Climate Change Policies – page 44
Locational signals for new generation plant

(RRP)) (and the likely price separation between regions); transmission loss factors; and the availability of fuel.”

and

- “Multiple connections in the same place at the same time”⁵,
“Each connecting party must negotiate its connection individually with the TNSP. This includes negotiating for the assets at the connection point and the extension line from the generation plant to the connection point. Both of these augmentations are defined as negotiated transmission services in the NER.”

although this latter description appears to be incomplete or requires clarification.

Negotiated transmission services

In the section in the Interim Report headed “Locational signals for new plant” *negotiated transmission services* are also defined as *connection* and *extension* assets.

From the Rules definition for a *negotiated transmission service*, (see below) it can be seen that the scope of *negotiated transmission services* is greater than that suggested in the Interim Report.

“negotiated transmission service

Any of the following services:

- (a) a *shared transmission service* that:
 - (1) exceeds the *network* performance requirements (whether as to quality or quantity) (if any) as that *shared transmission service* is required to meet under any *jurisdictional electricity legislation*; or
 - (2) except to the extent that the *network* performance requirements which that *shared transmission service* is required to meet are prescribed under any *jurisdictional electricity legislation*, exceeds or does not meet the *network* performance requirements (whether as to quality or quantity) as are set out in schedule 5.1a or 5.1;
- (b) *connection services* that are provided to serve a *Transmission Network User*, or group of *Transmission Network Users*, at a single *transmission network connection point*, 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*; or
- (c) *use of system services* provided to a *Transmission Network User* and referred to in rule 5.4A(f)(3) in relation to *augmentations* or *extensions* required to be undertaken on a *transmission network* as described in rule 5.4A,

⁵ AEMC review of Energy market Frameworks in Light of Climate Change Policies – page 37

but does not include an *above-standard system shared transmission service* or a *market network service*.”

From the above definition it can be seen that a *negotiated transmission service* includes:

- *connection services* that are provided to serve a *Transmission Network User*, and
- *use of system services* provided to a *Transmission Network User* and referred to in rule 5.4A (f) (3) which as noted previously includes *augmentations* or *extensions*.

This means that a *negotiated transmission service* can include *connection services and augmentations or extensions*, (as noted previously an *extension* by definition is a subset of an *augmentation*)

Provisions in Chapter 6 that may over-ride Chapter 5 provisions

From discussions with your staff it has been suggested that the Chapter 5 provisions have been modified by provisions in Chapter 6, namely;

- 6A.9.1 Principles relating to access to negotiated transmission services, and or
- 6A.19.2 Cost Allocation Principles

6A.9.1 Principles relating to access to negotiated transmission services⁶

We consider that the provisions of rule 6A.9.1 which are relevant to prices or charges are principles 1 and 8, these are repeated below;

“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*;
- (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 rules 5.4A (h) - (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;”

which together with the following definition;

“transmission network user access

The *power transfer capability* of the *transmission network* in respect of:

- (a) *generating units* or group of *generating units*;
- (b) *network elements*; or
- (c) *plant*,

at a *connection point* which has been negotiated in accordance with rule 5.4A.”

⁶ Rule 6A.9.1 Principles relating to access to negotiated transmission services is included in Appendix 3. The relevant parts of the clause are highlighted.

means that principle 8 says that any *access charges* should be based on providing the *power transfer capability* which has been negotiated in accordance with rule 5.4A and also specifically reinforces the compensation provisions or *access charges* in 5.4A(h)–(j).

As noted previously Rule 5.4A (e) and (f)⁷ in defining the *connection service charge* and *negotiated use of system charges* refers to *connection assets* and *augmentations* or *extensions* to all affected transmission and distribution networks and if applicable for generators *access charges* as referred to in 5.4A(f)(4).

Rule 6A.9.1 does not appear to limit the costs of connection to connection and extension assets only.

6A.19.2 Cost Allocation Principles⁸

It has been suggested that the cost allocation principles may exclude augmentations.

Rule 6A.19.2 provides *cost allocation principles* for allocating costs between different categories of *transmission services* which are relevant to the determination of the costs that are attributable to a generator participant's connection to a network.

The cost allocation principles say (in the case of costs which are not immaterial) only costs

- which are directly attributable to the provision of those services; or
- can be causation based,

may be allocated to a particular category of *transmission services*.

The expressions “directly attributable” or “causation based” are not defined however with respect to the costs that are attributable to a generator participant's connection to a network Rule 5.4A provides guidance by defining both the scope of the work in 5.4A (e) and the *services charges* to be paid in 5.4A (f).

As noted in the previous sections the cost attributable to a particular connection application therefore includes the cost of the *connection*, *augmentation* and *extension* assets and if applicable “access charges” referred to in paragraphs 5.4A (g)-(j), to ensure that the levels of service and supply are maintained for existing “Registered Participants”.

Financially firm access

The Interim Report describes the *access charges* referred to in 5.4A (f) (4) as the provisions enabling “financially firm access” for generators and suggests that there are a number of issues with this rule because the TNSP's ability to deliver this service is limited by its lack of control over system operation. The term “financially firm access” is not defined in the Rules and the meaning of the expression is not clear however the description provided implies that generators can use 5.4A(f)(4) to negotiate a set power transfer capability to the shared network which can apply at all times.

⁷ Rule 5.4A Access arrangements relating to Transmission Networks provisions (e) to (h) are included in Appendix 3. The relevant parts of the clause are highlighted.

⁸ Rule 6A.19.2 Cost allocation Principles is included in Appendix 4. The relevant parts of the clause are highlighted.

From the above discussion it can be seen that this is not the intention as the *services charges* to be paid in 5.4A (f) relate specifically to the establishment of connection agreements and are intended to apply only under a specific set of circumstances, namely;

“(h) Where the *Connection Applicant* is a *Generator*:

- (1) the compensation to be provided by the *Transmission Network Service Provider* to the *Generator* in the event that the *generating units* or group of *generating units* of the *Generator* are *constrained off* or *constrained on* during a *trading interval*; and
- (2) the compensation to be provided by the *Generator* to the *Transmission Network Service Provider* in the event that *dispatch* of the *Generator’s generating units* or group of *generating units* causes another *Generator’s generating units* or group of *generating units* to be *constrained off* or *constrained on* during a *trading interval*.”

The intended circumstances are that if a generator connects to the shared network and causes a constraint by exceeding the *power transfer capability* in the *connection agreement* compensation is payable to the TNSP, the compensation received by the TNSP is then paid to the generators that are constrained on or off. In this process the TNSP remains cost neutral.

These provisions are most likely to apply if the connecting generator elects not to pay for an *augmentation* of the shared network, however if the generator elects to fund augmentations then these provisions are unlikely to apply.

From an economic perspective the effect of a generator paying for *augmentations* or alternatively paying *access charges* as referred to in 5.4A(f)(4), is the same, both provide a location specific cost that when included with connection and extension charges provides the total cost of connecting to the network at that location.

Both approaches would also meet the objective expressed in rule 5.3.5(d) i.e. “maintain levels of service and quality of *supply* to existing *Registered Participants* in accordance with the *Rules*,” although in a different manner.

If a generator payed for *augmentations* no congestion would result however if the generator elected to pay *access charges* as referred to in 5.4A (f) (4), and congestion occurred the *access charges* regime would be expected to keep the constrained generator financially whole, ie as if the network access had not been reduced.

If congestion occurred, a congestion management regime would be required in addition to the *access charges* regime.

Dynamic efficiency

The meaning and scope of the term “direct cost of connection assets” for a new *Connection Applicants* as used in the Interim Report is fundamental to achieving the desired market outcome for this issue as expressed in the Interim Report⁹.

⁹ Issue A6 - Augmenting networks and managing congestion”

“The desired market outcome is for energy market frameworks to promote efficient use of and investment in the network through decentralised decision-making by individual market participants. This requires generators to have the right financial incentives on how to use the network, and where to locate new generation capacity. It also requires regulated networks to have the right incentives to operate and invest in networks over time. The incentives are created through regulatory obligations, market prices and network charges, and through the allocation and management of trading risk.”¹⁰

To be consistent with the NEM objective and promote dynamic efficiency the desired market outcome is decentralised decision making that promotes efficient use of and investment in both transmission and generating capacity, i.e. the decentralised decision making must support selection of the combination of generation and transmission assets that provide the least cost delivered energy to consumers.

If generator connection applicants are not faced with the total network cost attributable to their connection to ensure that the levels of service and supply are maintained for existing *Registered Participants*, as part of the bilateral negotiations between connection applicants and TNSPs;

- they will be unable to have the option of funding the augmentation necessary to enlarge an existing network and avoid creating congestion. The only option will be the provision of compensation to the TNSP under 5.4A (h) in the event that congestion results as a consequence of their operation and other generating units are constrained on or off.
- inefficient transmission and generation investment will result because the location specific transmission cost does not include the augmentations necessary to the shared network i.e. decentralised investment decisions will not consider the total delivered cost of energy to consumers.

Conclusion

Our understanding is that the AEMC in defining the “direct costs of connection” to include only *connection* and *extension* assets is not using the terms in a general sense where it could be implied that the term *extension* could include *augmentations* to the shared network.

The interpretation of the Rules in this letter shows that the “direct costs of connection” for generators can include the cost of the *connection*, *extension* and *augmentation* assets and if applicable *access charges* referred to in paragraphs 5.4A (g)-(j). We have been unable to find any provisions in Chapter 6 or other Rules that over-ride the provisions in Chapter 5.

However to avoid confusion for participants responding to this review, clarification is sought prior to the closing date for submissions of:

- the basis for limiting the “direct costs of connection” to *connection and extension* assets only, or
- advice as to the provisions in the Rules that support this limitation.

¹⁰ AEMC review of Energy market Frameworks in Light of Climate Change Policies – page 42
What is the desired market outcome?

Would you please direct your response regarding this submission to the undersigned at the address below or or any questions by phone to (03) 96122211.

Yours faithfully,



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(on behalf of the participants listed)

..... Roger Oakley Manager Market Development Loy Yang Marketing Management Company Pty Ltd Alex Cruickshank Manager Wholesale Markets Regulation AGL Energy Limited
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Appendix 1

5.3.5 Preparation of offer to connect

- (a) The *Network Service Provider* to whom the *application to connect* is submitted:
 - (1) at the *automatic access standard* under clause 5.3.4; or
 - (2) at a *negotiated access standard* that the provider has accepted under clause 5.3.4A(e), must proceed to prepare an offer to *connect* in response.
- (b) The *Network Service Provider* must use its reasonable endeavours to advise the *Connection Applicant* of all risks and obligations in respect of the proposed *connection* associated with planning and environmental laws not contained in the *Rules*.
- (c) The *Connection Applicant* must provide such other additional information in relation to the *application to connect* as the *Network Service Provider* reasonably requires to assess the technical performance and costs of the required *connection* and to enable the *Network Service Provider* to prepare an offer to *connect*.
- (d) So as to maintain levels of service and quality of *supply* to existing *Registered Participants* in accordance with the *Rules*, the *Network Service Provider* in preparing the offer to *connect* must consult with *NEMMCO* and other *Registered Participants* with whom it has *connection agreements*, if the *Network Service Provider* believes in its reasonable opinion, that compliance with the terms and conditions of those *connection agreement* will be affected, in order to assess the *application to connect* and determine:
 - (1) the technical requirements for the equipment to be *connected*;
 - (2) the extent and cost of *augmentations* and changes to all affected networks;
 - (3) any consequent change in *network service* charges; and
 - (4) any possible material effect of this new connection on the network power transfer capability including that of other networks.
- (e) If the *application to connect* involves the *connection of generating units* having a *nameplate rating* of 10 MW or greater to a *distribution network*, the *Distribution Network Service Provider* must consult the relevant *Transmission Network Service Provider* regarding the impact of the *connection* contemplated by the *application to connect* on fault levels, line reclosure protocols, and stability aspects.

- (f) The *Transmission Network Service Provider* consulted under paragraph (e) must determine the reasonable costs of addressing those matters for inclusion in the offer to *connect* and the *Distribution Network Service Provider* must make it a condition of the offer to *connect* that the *Connection Applicant* pay these costs.

- (g) The *Network Service Provider* preparing the offer to *connect* must include provision for payment of the reasonable costs associated with *remote control equipment* and *remote monitoring equipment* as required by *NEMMCO* and it may be a condition of the offer to *connect* that the *Connection Applicant* pay such costs.

Appendix 2

Rule 5.4A (e) to (h) Access arrangements relating to Transmission Networks

- (e) The *Transmission Network Service Provider* must use reasonable endeavours to provide the *transmission network user access* arrangements being sought by the *Connection Applicant* subject to those arrangements being consistent with *good electricity industry practice* considering:
- (1) the *connection assets* to be provided by the *Transmission Network Service Provider* or otherwise at the *connection point*; and
 - (2) the potential *augmentations* or *extensions* required to be undertaken on all affected *transmission networks* or *distribution networks* to provide that level of *power transfer capability* over the period of the *connection agreement* taking into account the amount of *power transfer capability* provided to other *Registered Participants* under *transmission network user access* or *distribution network user access* arrangements in respect of all affected *transmission networks* and *distribution networks*.
- (f) The *Transmission Network Service Provider* and the *Connection Applicant* must negotiate in good faith to reach agreement as appropriate on:
- (1) the *connection service charge* to be paid by the *Connection Applicant* in relation to *connection assets* to be provided by the *Transmission Network Service Provider*;
 - (2) in the case of a *Market Network Service Provider*, the service level standards to which the *Market Network Service Provider* requires the *Transmission Network Service Provider* to adhere in providing its services;
 - (3) the *use of system services charge* to be paid:
 - (i) by the *Connection Applicant* in relation to any *augmentations* or *extensions* required to be undertaken on all affected *transmission networks* and *distribution networks*; and
 - (ii) where the *Connection Applicant* is a *Market Network Service Provider*, to the *Market Network Service Provider* in respect of any reduction in the long run marginal cost of *augmenting* the *transmission network* as a result of it being *connected* to the *transmission network*;
- (‘*negotiated use of system charges*’); and
- (4) the amounts (‘*access charges*’) referred to in paragraphs (g)-(j).

- (g) The amount to be paid by the *Connection Applicant* to the *Transmission Network Service Provider* in relation to the costs reasonably incurred by the provider in providing *transmission network user access*.
- (h) Where the *Connection Applicant* is a *Generator*:
 - (1) the compensation to be provided by the *Transmission Network Service Provider* to the *Generator* in the event that the *generating units* or group of *generating units* of the *Generator* are *constrained off* or *constrained on* during a *trading interval*; and
 - (2) the compensation to be provided by the *Generator* to the *Transmission Network Service Provider* in the event that *dispatch* of the *Generator's generating units* or group of *generating units* causes another *Generator's generating units* or group of *generating units* to be *constrained off* or *constrained on* during a *trading interval*.

Appendix 3

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 or requirements* 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 rules 5.4A (h) - (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*.

Appendix 4

6A.19.2 Cost Allocation Principles

The following principles constitute the *Cost Allocation Principles*:

- (1) the detailed principles and policies used by a *Transmission Network Service Provider* to allocate costs between different categories of *transmission services* must be described in sufficient detail to enable the *AER* to replicate reported outcomes through the application of those principles and policies;
- (2) the allocation of costs must be determined according to the substance of a transaction or event rather than its legal form;
- (3) only the following costs may be allocated to a particular category of *transmission services*:
 - (i) costs which are directly attributable to the provision of those services; and
 - (ii) costs which are not directly attributable to the provision of those services but which are incurred in providing those services, in which case such costs must be allocated to the provision of those services using an appropriate allocator which should:
 - (A) except to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be causation based; and
 - (B) to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be an allocator that accords with a well accepted *Cost Allocation Methodology*;
- (4) any *Cost Allocation Methodology* which is used, the reasons for using that methodology and the numeric quantity (if any) of the chosen allocator must be clearly described;
- (5) the same cost must not be allocated more than once;
- (6) the principles, policies and approach used to allocate costs must be consistent with the *Transmission Ring-Fencing Guidelines*;
- (7) costs which have been allocated to *prescribed transmission services* must not be reallocated to *negotiated transmission services*; and

- (8) costs which have been allocated to *negotiated transmission services* may be reallocated to *prescribed transmission services* to the extent they satisfy the principle referred to in subparagraph (3).

Note. The Cost Allocation Guidelines are required by clause 6A.19.3 to give effect to and be consistent with, the Cost Allocation Principles.