

Part 16 Derogations granted to TransGrid

8A.16 Derogations from Chapter 6A for the current regulatory control period and subsequent regulatory control period

8A.16.1 Definitions

In this *participant derogation*, rule 8A.16:

commencement date means *[to be inserted]*.

current regulatory control period means the period of five *regulatory years* that commenced on 1 July 2018 and ends on 30 June 2023.

Existing ISP project has the meaning given in clause 11.126.1.

ISP project means:

- (a) all existing actionable ISP projects that are deemed to be *actionable ISP projects* under clause 11.126.3; and
- (b) all *actionable ISP projects* specified in an Integrated System Plan published by AEMO under clause 5.22.

ISP project regulatory asset base means the value of those assets that are:

- (a) associated with ISP projects; and
- (b) owned, controlled or operated by TransGrid,

but only to the extent that those assets provide *prescribed transmission services*.

Regular regulatory asset base means the value of all assets that:

- (a) satisfy clause 6A.6.1(a);
- (b) are owned, controlled or operated by TransGrid; and
- (c) do not form part of the ISP project regulatory asset base.

Revenue recovery principle, in respect of TransGrid, means the principle that TransGrid must be given the ability to recover the same, but no more, revenue (in net present value equivalent terms) as it would have recovered if this *participant derogation* had applied from the commencement of the current regulatory control period.

TransGrid means the energy transmission operator known as "TransGrid" and established under the *Energy Services Corporations Act 1995* (NSW).

TransGrid's determination means the *transmission determination* made by the *AER* for TransGrid for the current regulatory control period.

TransGrid ISP project post-tax revenue model has the meaning given in clause 8A.16.5(b).

TransGrid ISP project roll forward model has the meaning given in clause 8A.16.6(c).

transitional ISP Projects means ISP projects in respect of which TransGrid makes an application to the *AER* under clause 6A.8.2 after 1 September 2020 but before the commencement date.

Variation amount, in respect of TransGrid, means an amount equal to:

- (a) the sum of all *maximum allowed revenue* for each *regulatory year* of the current regulatory control period calculated as if this clause 8A.16

had been force at the time of each of the *AER's* determinations under clause 6A.8.2 in respect of the transitional ISP projects; minus

- (b) the sum of all *maximum allowed revenue* for each *regulatory year* of the current regulatory control period including any amounts included in TransGrid's determination following a determination by the *AER* under clause 6A.8.2 in respect of the transitional ISP projects.

Variation amount determination means a determination of the variation amount by the *AER* under clause 8A.16.8(b).

8A.16.1A Application

The *AER* must apply this *participant derogation* whenever the *Rules* require the *AER* to determine the *maximum allowed revenue* for TransGrid.

8A.16.2 Expiry date

This *participant derogation* expires on the date on which the lease entered into between TransGrid (as lessor), which at the date of this *participant derogation* is the Electricity Transmission Ministerial Holding Company, and NSW Electricity Assets Pty Limited as trustee of the NSW Electricity Network Assets Trust (as lessee) expires or terminates (including after its renewal of the lease under its terms), being 15 December 2114 at the date of this *participant derogation*.

8A.16.3 Application of Rule 8A.16

This *participant derogation* prevails to the extent of any inconsistency with:

- (a) any other provision of the *Rules*;
- (b) TransGrid's determination; and
- (c) any change made to TransGrid's determination by the *AER* under clause 6A.8.2 that relates to an ISP project.

8A.16.4 Contents of revenue determination for TransGrid

- (a) For the purposes of clause 6A.4.2(a)(3A), a revenue determination for TransGrid must specify two regulatory asset bases:
 - (1) the regular regulatory asset base; and
 - (2) the ISP project regulatory asset base.
- (b) Despite clause 6A.4.2(a)(4), a *revenue determination* for TransGrid must specify that indexation does not apply to the ISP project regulatory asset base.

8A.16.5 Building blocks approach for TransGrid

- (a) For the purposes of clause 6A.5.4(a)(1):
 - (1) the ISP project regulatory asset base will not be indexed; and
 - (2) depreciation of the ISP project regulatory asset base will be calculated on the basis of capital expenditure as incurred.
- (b) The *AER* must publish a *post-tax revenue model* for TransGrid (**TransGrid ISP project post-tax revenue model**) that:
 - (1) does not index the ISP project regulatory asset base; and
 - (2) provides for depreciation of the ISP project regulatory asset base to be calculated on the basis of capital expenditure as incurred.

- (c) The *AER* must publish the TransGrid ISP project post-tax revenue model as soon as reasonably practicable following the commencement date and no later than **[5 February 2021]**.
- (d) The *AER* may consult on the TransGrid ISP project post-tax revenue model, but is not required to follow the *transmission consultation procedures*.
- (e) A reference to the *post-tax revenue model* in the *Rules* is deemed to be a reference to each of the TransGrid ISP project post-tax revenue model and the *post-tax revenue model* published by the *AER* under clause 6A.5.2 separately.
- (f) For the avoidance of doubt, clause 6A.5 and the *post-tax revenue model* developed under it apply to the regular regulatory asset base without amendment.

8A.16.6 Regulatory asset bases for TransGrid

- (a) For the purposes of clause 6A.6.1:
 - (1) the ISP project regulatory asset base will not be indexed; and
 - (2) depreciation of the ISP project regulatory asset base will be calculated on the basis of capital expenditure as incurred.
- (b) The *AER* must publish the model for the roll forward of the ISP project regulatory asset base that:
 - (1) does not adjust the ISP project regulatory asset base for outturn inflation; and
 - (2) provides for depreciation of the ISP project regulatory asset base to be calculated on the basis of capital expenditure as incurred.
- (c) The *AER* must publish the model for the roll forward of the ISP project regulatory base (**TransGrid ISP project roll forward model**) as soon as reasonably practicable following the commencement date and no later than **[5 February 2021]**.
- (d) The *AER* may consult on the TransGrid ISP project roll forward model, but is not required to follow the *transmission consultation procedures*.
- (e) A reference to:
 - (1) the regulatory asset base in the *Rules* is deemed to be a reference to each of the ISP project regulatory asset base and the regular regulatory asset base separately; and
 - (2) the *roll forward model* is deemed to be a reference to each of the TransGrid ISP project roll forward model and the *roll forward model* published by the *AER* under clause 6A.6.1 separately.
- (f) For the avoidance of doubt, clause 6A.6.1 and the *roll forward model* developed under it apply to the regular regulatory asset base without amendment.

8A.16.7 Roll forward of regulatory asset base within the same regulatory control period

For the purposes of clause S6A.2.4, the ISP project regulatory asset base will not be increased by an amount necessary to maintain the real value of the ISP regulatory asset base as at the beginning of a later year.

8A.16.8

Recovery of revenue for ISP projects for which the AER has made a determination under clause 6A.8.2 prior to the commencement of this participant derogation

Variation amount determination

- (a) The *AER* must determine the variation amount for TransGrid.
- (b) The *AER* must publish a variation amount determination as soon as reasonably practicable following the later of the commencement date and the date on which the *AER* has made a determination under clause 6A.8.2 in respect of all transitional ISP projects.
- (c) The *AER* may consult on the determination of the variation amount, but is not required to follow the *transmission consultation procedures*.

Recovery in the current regulatory control period

- (d) For the purposes of clause 6A.22.1, the *aggregate annual revenue requirement (AARR)* for TransGrid for each of the *regulatory years* of the current regulatory control period following the date of the variation amount determination is to be:
 - (1) the amounts specified in clause 6A.22.1; plus
 - (2) a proportion of the variation amount approved by the *AER*.
- (e) The proportion of the variation amount to be included in the AARR under clause 8A.16.8(d)(2) for each of the *regulatory years* of the current regulatory control period following the date of the variation amount determination must satisfy the revenue recovery principle.