

CHAPTER 6A

Indicative changes to the National Electricity Rules

Indicative mark up of changes made by Schedules 1 to 3 of the *National Electricity Amendment (Providing flexibility in the allocation of interconnector costs) Rule 2024*

Note:

This is an indicative version of changes to the National Electricity Rules to be made by Schedules 1 to 3 of the *National Electricity Amendment (Providing flexibility in the allocation of interconnector costs) Rule 2024*. The mark up is against v210 NER.

This document is provided for information purposes only. The actual amendments are set out in the *National Electricity Amendment (Providing flexibility in the allocation of interconnector costs) Rule 2024*. The Australian Energy Market Commission does not guarantee the accuracy, reliability or completeness of this indicative mark up of the National Electricity Rules.

6A. Economic Regulation of Transmission Services

Part A Introduction

6A.1 Introduction to Chapter 6A

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) **[Deleted]**

Note

Access and *connection* to *negotiated transmission services* is governed by Chapter 5 of the *Rules*.

- (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) ~~**[Deleted]**~~ Part D of this Chapter 6A deals with Intending TNSPs;
- (d) Part E of this Chapter 6A sets out the procedure and approach for the making of a *transmission determination* by the *AER*.
- (e) Part F of this Chapter 6A contains provisions regarding the disclosure, use and protection of information.
- (f) Part G of this Chapter 6A contains provisions regarding cost allocation.
- (g) Part H of this Chapter 6A contains provisions regarding the *transmission consultation procedures*.
- (h) Part I of this Chapter 6A contains provisions regarding *Transmission Ring-Fencing Guidelines*.
- (i) 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*.
- (j) **[Deleted]**
- (k) Other transmission services provided by *Transmission Network Service Providers* (*non-regulated transmission services*) are not subject to regulation under this Chapter 6A.
- (l) Services provided by *dual function assets* are not subject to regulation under this Chapter 6A except to the extent provided in Part N of Chapter 6.
- (m) Part L sets out the requirements to prepare *annual benchmarking reports*.

Part E Procedure - Revenue determinations and pricing methodologies

6A.10 Revenue Proposal and proposed pricing methodology

6A.10.1 Submission of proposal, pricing methodology and information

- (a) A *Transmission Network Service Provider* must submit to the AER a *Revenue Proposal* and a proposed *pricing methodology* relating to the *prescribed transmission services* that are provided by means of, or in connection with, a *transmission system* that is owned, controlled or operated by that *Transmission Network Service Provider*:
 - (1) if any of those *prescribed transmission services* are subject to a *transmission determination*, 17 months before the expiry of the period in respect of which that *transmission determination* applies; or
 - (2) if any of those *prescribed transmission services* are not subject to a *transmission determination*, 3 months after being required to do so by the AER.
- (b) If applicable, a *Transmission Network Service Provider* may also submit to the AER a *financeability request* in conjunction with the *Revenue Proposal* submitted under paragraph (a).
- (c) The *Revenue Proposal* must comply with the requirements of, and must contain or be accompanied by such information as is required by, any *relevant regulatory information instrument*.
- (d) If a *financeability request* is submitted pursuant to paragraph (b):
 - (1) the *financeability request* must comply with the requirements of clauses 6A.6.3A(c) to 6A.6.3A(f) (as applicable);
 - (2) the *Revenue Proposal* must set out the required revenue for the following scenarios:
 - (i) without the relevant *actionable ISP project*; and
 - (ii) with the relevant *actionable ISP project*, both with and without the *financeability request*; and
 - (3) the *Transmission Network Service Provider* must provide the AER with such additional information that the AER reasonably requests for the purposes of applying the *financeability test* or addressing the *financeability issue* in accordance with clause 6A.6.3A(m).
- (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.
- (f) The *Revenue Proposal* must also:

- (1) include a statement of whether it is consistent with the most recent *Integrated System Plan* and, if it is inconsistent, identify and give reasons for the inconsistency; and
 - (2) identify any parts of the *Revenue Proposal* or the proposed pricing methodology ~~pricing methodology~~ the *Transmission Network Service Provider* claims to be confidential and wants suppressed from publication on that ground in accordance with the *Transmission Confidentiality Guidelines*.
- (g) The *Revenue Proposal* must be accompanied by an overview paper which includes each of the following matters:
- (1) a summary of the *Revenue Proposal* the purpose of which is to explain the *Revenue Proposal* in reasonably plain language to electricity consumers;
 - (2) a description of how the *Transmission Network Service Provider* has engaged with electricity consumers and has sought to address any relevant concerns identified as a result of that engagement;
 - (3) a description of the key risks and benefits of the *Revenue Proposal* for electricity consumers;
 - (4) a comparison of the *Transmission Network Service Provider's* proposed total revenue cap with its total revenue cap for the current *regulatory control period*; and
 - (5) if applicable, a description of the *financeability request* and a summary of the *Transmission Network Service Provider's* proposal under clause 6A.6.3A(c).
- (h) The *Revenue Proposal* must be accompanied by information required by the *Expenditure Forecast Assessment Guidelines* as set out in the *framework and approach paper*.
- (i) Where clause 6A.3.3(f) applies, the *Revenue Proposal* must be accompanied by a copy of the relevant *concessional finance agreement*.
- (j) If the *Transmission Network Service Provider* has been given an *interconnector cost allocation agreement* in which it is named as the *Transmission Network Service Provider* for the specified *interconnector* under the agreement, the proposed *pricing methodology* must be accompanied by a copy of the relevant *interconnector cost allocation agreement*.

6A.11 Preliminary examination and consultation

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 *financeability request* submitted by a *Transmission Network Service Provider*;

- (3) a proposed *pricing methodology* submitted by the *Transmission Network Service Provider*; or
- (4) information contained in or accompanying such a *Revenue Proposal* or *proposed pricing methodology*,

under clause 6A.10.1 does not comply with the requirements of:

- (5) any relevant regulatory information instrument;
- (6) if applicable, the requirements of clauses 6A.6.3A(c) to (e); or

(7) if applicable, the implementation criteria for interconnector cost allocation agreements in clause 6A.29.4(b);

~~(7) [Deleted]~~

- (8) *NEL* or the *Rules*,

the *AER* must notify the provider of that determination as soon as practicable after receiving that *Revenue Proposal*, proposed *pricing methodology*, *financeability request* 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 *pricing methodology*, *financeability request* or information does not comply with the relevant requirements of any relevant *regulatory information instrument* or clause 6A.10.1(e), or requirements of clauses 6A.6.3A(c) to (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* or proposed *pricing methodology*.

6A.14 Requirements relating to draft and final decisions

6A.14.3 Circumstances in which matters must be approved or accepted

- (a) This clause set out the circumstances in which the *AER* must approve or accept certain matters for the purposes of a draft decision under rule 6A.12 or a final decision under rule 6A.13. Subject to any provision of this Chapter 6A, if the *AER* is not required to approve or accept such a matter in accordance with this clause, it may, but is not required to, refuse to approve or accept that matter.
- (b) The *AER* must approve:
 - (1) the *total revenue cap* for a *Transmission Network Service Provider* for a *regulatory control period*; and
 - (2) subject to addressing a *financeability issue* in accordance with clause 6A.6.3(m), the *maximum allowed revenue* for the *Transmission Network Service Provider* for each *regulatory year* of the *regulatory control period*,

as set out in the current *Revenue Proposal*, if the *AER* is satisfied that:

- (3) those amounts have been properly calculated using the *post-tax revenue model*; and
- (4) those amounts, and any amount required to be calculated, determined or forecast for the purposes of calculating those amounts, have otherwise been calculated, determined or forecast in accordance with the requirements of Part C of this Chapter 6A, (for these purposes, the *AER* is taken to be so satisfied in respect of a particular amount if another provision of this Chapter 6A requires the *AER* to approve or accept that amount)

Nothing in this paragraph (b) is to be taken to constrain the *AER* in substituting its forecast or estimate of capital expenditure or operating expenditure in accordance with clauses 6A.13.2(b) or 6A.14.1(2) or (3).

- (c) If a *Transmission Network Service Provider's* revised *Revenue Proposal* submitted under clause 6A.12.3(a) includes:

- (1) an amount of total forecast capital expenditure for the *regulatory control period* that is the same as that accepted or estimated (as the case may be) by the *AER* in a draft decision under rule 6A.12; or
- (2) an amount of total forecast operating expenditure for the *regulatory control period* that is the same as that accepted or estimated (as the case may be) by the *AER* in a draft decision under rule 6A.12,

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*; or
 - (ii) the information contained in or accompanying the revised *Revenue Proposal* differs from that contained in or accompanying the previous *Revenue Proposal*; and
- (4) the changes are such that the *AER* is not satisfied as referred to in clauses 6A.6.6(c) or 6A.6.7(c) (as the case may be),

the *AER*, in its final decision, must accept the forecast of required operating expenditure or of required capital expenditure (as the case may be) that is included in the revised *Revenue Proposal*.

- (d) The *AER* must approve:

- (1) the values that are to be attributed to the *performance incentive scheme parameters* for the *service target performance incentive scheme* that is to apply to a *Transmission Network Service Provider* in respect of a *regulatory control period*; and
- (2) the values that are to be attributed to the *efficiency benefit sharing scheme parameters* for the *efficiency benefit sharing scheme* that is to apply to a *Transmission Network Service Provider* in respect of a *regulatory control period*,

as set out in the current *Revenue Proposal*, if the *AER* is satisfied that those values comply with the requirements relating to them set out in the *service target performance incentive scheme* or the *efficiency benefit sharing scheme* (as the case may be).

- (e) The *AER* must approve the commencement and length of the *regulatory control period* as proposed by a *Transmission Network Service Provider* in the provider's current *Revenue Proposal* if the length of the *regulatory control period* as so proposed is 5 *regulatory years*.
- (f) If a *financeability request* is submitted under clause 6A.10.1(b) or clause 6A.12.3(a)(2) and there is a *financeability issue* following the application of the *financeability test*, the *AER* must address a *financeability issue* in accordance with clause 6A.6.3A(m).

(f1) The *AER* must not approve a proposed *pricing methodology* for the *Transmission Network Service Provider* for a specified interconnector under an interconnector cost allocation agreement unless the *AER* is satisfied that the interconnector cost allocation agreement satisfies all the implementation criteria in clause 6A.29.4(b).

- (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 *pricing methodology* or revised *financeability request* (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 *pricing methodology* or the revised *financeability request*, by the *Transmission Network Service Provider*; or
 - (ii) the information contained in or accompanying the revised *Revenue Proposal*, revised proposed *pricing methodology* or revised *financeability request* differs from that contained in or accompanying the previous *Revenue Proposal*, proposed *pricing methodology* or *financeability request* submitted or resubmitted; and
- (4) the changes would justify the *AER*, in its final decision, in refusing to approve 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 or that proposed *pricing methodology*.

- (i) ~~[Deleted]~~

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

6A.15.1 Where there is wrong information or error

- (a) The AER may (but is not required to) revoke a *revenue determination* or amend an existing *pricing methodology* during a *regulatory control period* if it appears to the AER that the *revenue determination* or *pricing methodology* is affected by a material error or deficiency of one or more of the following kinds:
 - (1) a clerical error or an accidental slip or omission;
 - (2) a miscalculation or misdescription;
 - (3) a defect in form; or
 - (4) a deficiency resulting from the provision of false or materially misleading information to the AER.
- (b) If the AER revokes a *revenue determination* under paragraph (a), 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 and substitutes a *revenue determination* under paragraphs (a) and (b), the substituted *revenue determination* must only vary from the revoked *revenue determination* to the extent necessary to correct the relevant error or deficiency.
- (d) If the AER amends a *pricing methodology* under paragraph (a), the amended methodology applies to the setting of prices for the next *financial year* and for the remainder of the relevant *regulatory control period* or in the case of a change to the methodology for setting the *system strength charge*, for the next *regulatory year* and the remaining *regulatory years* in the *system strength charging period*.
- (e) If the AER amends a *pricing methodology* under paragraph (a), the amended methodology must only vary from the existing *pricing methodology* to the extent necessary to correct the relevant error or deficiency.
- (f) The AER may only revoke and substitute a *revenue determination* or amend a *pricing methodology* under this clause 6A.15.1 ~~rule 6A.15~~, if it has first consulted with the relevant *Transmission Network Service Provider* and such other persons as it considers appropriate.

6A.15.2 Where an interconnector cost allocation agreement is made or amended

- (a) The AER may on the application of a *Transmission Network Service Provider* approve an amendment to an existing *pricing methodology* of the

Transmission Network Service Provider during a regulatory control period if:

- (1) an interconnector cost allocation agreement is made or amended; and
 - (2) the applicant is the Transmission Network Service Provider for the specified interconnector under the interconnector cost allocation agreement or a Co-ordinating Network Service Provider responsible for allocating an interconnector transfer amount under the agreement; and
 - (3) the AER receives the application at least 9 months before the start of:
 - (i) for a new interconnector cost allocation agreement, the first implementation year; or
 - (ii) for an amended interconnector cost allocation agreement, the first implementation year that the amendment will take effect; and
 - (4) the application is accompanied by a copy of the interconnector cost allocation agreement (where applicable, as amended).
- (b) The AER must promptly notify the applicant if it considers that:
- (1) the proposed amended pricing methodology does not comply with the requirements for a pricing methodology under this Chapter 6A; or
 - (2) the interconnector cost allocation agreement does not satisfy the implementation criteria in clause 6A.29.4(b).
- (c) The AER must publish an application under paragraph (a) and the new or amended interconnector cost allocation agreement the subject of the application.
- (d) The AER must not approve an amendment to a pricing methodology under paragraph (a) unless:
- (1) the AER is satisfied that the interconnector cost allocation agreement satisfies all the implementation criteria in clause 6A.29.4(b); and
 - (2) the amended pricing methodology:
 - (i) continues to comply with the requirements for a pricing methodology under this Chapter 6A; and
 - (ii) only varies from the existing pricing methodology to the extent necessary, having regard to the provisions in Part J relating to interconnector cost allocation agreements.
- (e) Before it approves an amendment to a pricing methodology under this clause, the AER must consult with the other Transmission Network Service Providers responsible for implementing the interconnector cost allocation agreement and may, in its discretion, consult with such other persons as it considers appropriate.

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;
- (2) by subtracting:
 - (i) the operating and maintenance costs expected to be incurred in the provision of *prescribed common transmission services*; and
 - (ii) expected *system strength service payments*; and
- (3) ~~[Deleted]; by any allocation as agreed between Transmission Network Service Providers in accordance with clause 6A.29.3.~~
- (4) where applicable, in accordance with clause 6A.29.4(g).

6A.22.2 Annual service revenue requirement (ASRR)

- (a) For the purposes of this Part J but subject to paragraph (b), 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 *Transmission Network Service 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.
- (b) For a Transmission Network Service Provider that is the Co-ordinating Network Service Provider for a region:
 - (1) the ASRR is the portion of the total amount to be allocated by the Co-ordinating Network Service Provider in accordance with clause 6A.29.2(a) (where applicable, after making adjustments in accordance with clause 6A.22.1) that is allocated to each category of prescribed transmission services in the region by multiplying the total amount to be allocated by the attributable cost share for that category of services in accordance with the principles in clause 6A.23.2; and
 - (2) references to the AARR in clause 6A.23.2 are taken to be references to the total amount to be allocated.

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 *Transmission Network Service Provider* for that category of services must, subject to any adjustment required or approved, under this Part, 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* and any other *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 *Transmission Network Service 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.23.2 Principles for the allocation of the aggregate annual revenue requirement

The ~~AARR 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/or *prescribed exit services*.

6A.23.3 Principles for the allocation of the annual service revenue requirement to connection points

The allocation of the ~~ASRR annual service revenue requirement of a Transmission Network Service Provider~~ for each *category of prescribed transmission services* to the relevant *connection points* (other than the *connection points* of any *Market Network Service Provider*), and the manner and sequence in which adjustments can be made to those allocations, for the relevant *regulatory year* to which the *maximum allowed revenue* relates, must be in accordance with the following principles:

- (a) The ~~ASRR annual service revenue requirement~~ for *prescribed TUOS services* is to be allocated between a locational component (*pre-adjusted locational component*) and a non-locational component (*pre-adjusted non-locational component*) either:
 - (1) as to 50% to each component; 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.
- (b) Subject to paragraph (d), the *pre-adjusted locational component* is to be adjusted by:
 - (1) subtracting any amount estimated as proceeds from *auctions* or any portion of *settlements residue* allocated to the *directional interconnector* which is not the subject of a *SRD agreement* estimated to be receivable by the *Transmission Network Service Provider* from the *connection points* for each relevant *directional interconnector* as referred to in clause 3.18.4, with that amount including an adjustment calculated in accordance with paragraph (f); and
 - (2) adding or subtracting the amount estimated by the *Co-ordinating Network Service Provider* for the *modified load export charge* receivable by or payable to the *Transmission Network Service Provider*

under clause 6A.29A.5, with that amount including an adjustment calculated in accordance with paragraph (f),

(the *adjusted locational component*).

- (c) If the *adjusted locational component* is a positive amount, it is to be allocated to *transmission network connection points* of *Transmission Customers* on the basis of their proportionate use of the relevant *transmission system* assets, excluding, to avoid doubt, assets which constitute an *identified user shared asset* or *designated network asset*. The *CRNP methodology* and the *modified CRNP methodology* are two permitted methodologies to estimate the proportionate use of the relevant *transmission system* assets as referred to in paragraph (b).
- (d) If the *adjusted locational component* is a negative amount, then the *adjusted 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 subparagraph (e)(1).
- (e) The *pre-adjusted non-locational component* is to be adjusted by:
 - (1) subtracting the absolute value of the amount (if any) referred to in paragraph (d);
 - (2) adding or subtracting any amount for *settlements residue* (not being any *auction* amount referred to in subparagraph (b)(1) or *settlements residue* that accrue on a *designated network asset* due to *boundary point loss factors*, but otherwise, including any amount of *settlements residue* due to *intra-regional loss factors*) estimated to be receivable by or payable to the *Transmission Network Service Provider* in accordance with clause 3.6.5(a)(3);
 - (3) adding or subtracting any adjustment arising as a result of the application of clauses 6A.23.4(c) and (d);
 - (4) adding or subtracting any amount arising as a result of the application of prudent discounts (if any) under clauses 6A.26.1(d) to (g);
 - (5) adding or subtracting any *over-recovery amount* or *under-recovery amount*, with that amount including an adjustment calculated in accordance with paragraph (f); and
 - (6) adding the amount of *NTP function* fees advised to the *Co-ordinating Network Service Provider* in accordance with clause 2.11.3(ba),
 (the *adjusted non-locational component*).
- (f) The adjustment referred to in subparagraphs (b)(1), (b)(2) and (e)(5) must be calculated as the sum of:
 - (1) the difference between:
 - (i) the estimated amount payable or receivable for a service (or component of a service) referred to in subparagraphs (b)(1), (b)(2) and (e)(5) in year $t - 1$; and
 - (ii) the amount actually payable or receivable for that service (or that component of service) in year $t - 1$;

- (2) the difference between:
 - (i) the actual amount payable or receivable for that service (or that component of service) in year $t - 2$; and
 - (ii) the estimate of the amount payable or receivable for that service (or component of a service) in year $t - 2$ that was used for the purposes of clause (f)(1)(i) in accordance with the *Co-ordinating Network Service Provider's* or the *Transmission Network Service Provider's* (as the case may be) *pricing methodology* that applied in year $t - 1$; and
 - (3) grossed up on the basis of the *allowed rate of return* that applies to the *Transmission Network Service Provider* at the time when the further adjustment is to be made.
- (g) For the purposes of paragraph (f):
- "year t " means the *regulatory year* in which adjustments are made under paragraph (f).
 - "year $t - 1$ " means the *regulatory year* immediately prior to year t or, where year t is the first year of a *regulatory control period*, the last *regulatory year* of the previous *regulatory control period*.
 - "year $t - 2$ " means the *regulatory year* immediately prior to year $t - 1$ or, where year t is the:
 - (1) first year of a *regulatory control period*, the penultimate *regulatory year* of the previous *regulatory control period*; and
 - (2) second year of a *regulatory control period*, the last *regulatory year* of the previous *regulatory control period*.
- (h) The ~~ASRR annual service revenue requirement~~ for *prescribed common transmission services* is to be adjusted by adding the operating and maintenance costs incurred in the provision of those services and *system strength service payments* (to the extent that those costs or payments were subtracted from the *maximum allowed revenue* in accordance with clause 6A.22.1).
- (h1) In addition to the adjustment under paragraph (h), for a *Transmission Network Service Provider* who is a *System Strength Service Provider*:
- (1) the ~~ASRR annual service revenue requirement~~ for *prescribed common transmission services* for a *regulatory year* must be adjusted by:
 - (i) subtracting the *Transmission Network Service Provider's* forecast of its *annual system strength revenue* for the *regulatory year* made in accordance with clause 6A.23.3A(a)(1); and
 - (ii) adding or subtracting any adjustment for the *regulatory year* arising as a result of the application of clause 6A.23.3A(b); and

- (2) a reference to the ~~annual service revenue requirement or~~ ASRR for *prescribed common transmission services* for that *Transmission Network Service Provider* is taken to be a reference to the amount adjusted in accordance with subparagraph (h1)(1).
- (i) The whole of the ~~ASRR annual service revenue requirement~~ for *prescribed entry services* is to be allocated to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*) 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*.
- (j) The whole of the ~~ASRR annual service revenue requirement~~ for *prescribed exit services* is to be allocated to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*) 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*.

6A.23.3A Annual system strength revenue and system strength revenue adjustment for a System Strength Service Provider

- (a) A *Transmission Network Service Provider* who is a *System Strength Service Provider* must determine:
 - (1) a forecast of its *annual system strength revenue* for year *t* applying the principles in the *pricing methodology guidelines*;
 - (2) an estimate of its actual *annual system strength revenue* for year *t-1* applying the principles in the *pricing methodology guidelines*; and
 - (3) its actual *annual system strength revenue* for year *t-2*.
- (b) For year *t*, the ~~ASRR annual service revenue requirement~~ for *prescribed common transmission services* is to be adjusted by calculating the following adjustment amount and (if positive) adding the adjustment amount or (if negative) subtracting the absolute value of the adjustment amount:
 - (1) the forecast annual system strength revenue for year *t-1* less the estimated actual *annual system strength revenue* for year *t-1*; plus
 - (2) the estimated actual annual system strength revenue for year *t-2* less the actual *annual system strength revenue* for year *t-2*; then
 - (3) grossed up on the basis of the *allowed rate of return* that applies to the *Transmission Network Service Provider* at the time when the adjustment is made.
- (c) For the purposes of paragraph (b):

actual annual system strength revenue	means for a <i>regulatory year</i> , the actual <i>annual system strength revenue</i> for the <i>regulatory year</i> calculated at the time of setting prices in March of the year after the relevant <i>regulatory year</i> ends;
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forecast annual system strength revenue	means for a <i>regulatory year</i> , the <i>Transmission Network Services Provider's</i> forecast of <i>system strength revenue</i> determined in accordance with paragraph (a)(1) and deducted under clause 6A.23.3(h1)(1)(i);
estimated actual annual system strength revenue	means for a <i>regulatory year</i> , the estimate of actual <i>annual system strength revenue</i> for the <i>regulatory year</i> made at the time of setting prices in March of the year before the <i>relevant regulatory year</i> starts;
"year t"	means the <i>regulatory year</i> for which the adjustments are being determined;
"year t – 1"	means the <i>regulatory year</i> immediately prior to year t or, where year t is the first year of a <i>regulatory control period</i> , the last <i>regulatory year</i> of the previous <i>regulatory control period</i> ; and
"year t – 2"	means the <i>regulatory year</i> immediately prior to year t – 1 or, where year t is: <ul style="list-style-type: none"> (1) the first year of a <i>regulatory control period</i>, the penultimate <i>regulatory year</i> of the previous <i>regulatory control period</i>; or (2) the second year of a <i>regulatory control period</i>, the last <i>regulatory year</i> of the previous <i>regulatory control period</i>.

6A.23.4 Principles for the recovery of the Annual Service Revenue Requirement as prices

The recovery of the ~~ASRR annual service revenue requirement~~ for a *Transmission Network Service Provider* as prices for *Transmission Customers* (but not *Market Network Service Providers*) or for *System Strength Transmission Service Users* for the relevant *regulatory year* to which the *maximum allowed revenue* relates, must be made in accordance with the following principles:

- (a) The *Transmission Network Service Provider* must have separate prices for:
 - (1) *prescribed TUOS services – adjusted locational component*;
 - (2) *prescribed TUOS services – adjusted non-locational component*;
 - (3) *prescribed common transmission services* (other than *system strength transmission services*);
 - (4) *prescribed entry services*;
 - (5) *prescribed exit services*; and
 - (6) *system strength transmission services*.
- (b) Prices for recovering the *prescribed TUOS services - adjusted locational component*:

- (1) must be based on demand at times of greatest utilisation of the *transmission network* by *Transmission Customers* and for which *network* investment is most likely to be contemplated;
- (2) subject to subparagraph (3) below, must not change by more than 2% on a *load* weighted average basis for the relevant *region* compared with the previous *regulatory year*; and
- (3) are not subject to the limitation in subparagraph (2):
 - (i) to the extent that the change in prices relate to the adjusted *modified load export charge* as referred to in clause 6A.23.3(b)(2); or
 - (ii) if, since the commencement of the previous *regulatory year*:
 - (A) the *load* at the *connection point* has materially altered;
 - (B) in connection with that alteration, the *Transmission Customer* requested a renegotiation of its *connection agreement* with the *Transmission Network Service Provider*; and
 - (C) the *AER* approved the change.
- (c) If, in the case of an increase in prices for recovering the *prescribed TUOS services - adjusted locational component*, the application of paragraph (b)(2) would result in a shortfall for the *prescribed TUOS services - adjusted locational component*, any shortfall may be recovered by increasing the *prescribed TUOS services - non-locational component* in clause 6A.23.3(e)(3).
- (d) If, in the case of a decrease in prices for recovering the *prescribed TUOS services - adjusted locational component*, the application of paragraph (b)(2) would result in a surplus for the *prescribed TUOS services - adjusted locational component*, any surplus must be offset by decreasing the *prescribed TUOS services - non-locational component* in clause 6A.23.3(e)(3).
- (e) Prices for recovering the *prescribed TUOS services - adjusted non-locational component* must be on a *postage-stamp basis*.
- (f) Prices for recovering *prescribed common transmission services* must be on a *postage-stamp basis*.
- (g) Prices for recovering *prescribed entry services* and *prescribed exit services* must be a fixed annual amount.
- (h) Prices for or in respect of *system strength transmission services* must be determined in accordance with clause 6A.23.5 or clause 6A.23.6, as applicable.

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* (or a *Co-ordinating Network Service Provider* on behalf of *Transmission Network Service Providers* within a *region*);
 - (1) allocates the ~~AARR aggregate annual revenue requirement~~ for *prescribed transmission services* provided by the *Transmission Network Service Provider* to each *category of prescribed transmission services*;
 - (2) provides for the manner and sequence of adjustments to the ~~ASRR annual service revenue requirement~~;
 - (3) allocates the ~~ASRR annual service revenue requirement~~ to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*);
 - (4) determines the structure and recovery of prices for each *category of prescribed transmission services* under 6A.23.4(a); and
 - (5) for a *Transmission Network Service Provider* who is a *System Strength Service Provider*, determines, for each *system strength node* on its *transmission network*, the *system strength unit price* of the *System Strength Service Provider* for the *system strength charging period* commencing in the *regulatory control period*.
- (b1) In addition to complying with any other requirements under this Chapter 6A, the *pricing methodology* of a *Transmission Network Service Provider* that is the *Co-ordinating Network Service Provider* for a *region* must provide for:
 - (1) ~~the allocations and related adjustments for that region as provided for in clause 6A.29.2(a); (1) — the allocation of the AARR for prescribed transmission services provided by Transmission Network Service Providers within that region, including any allocation of the AARR as agreed between Transmission Network Service Providers in accordance with clause 6A.29.3;~~
 - (2) the calculation of *modified load export charges* consistent with clause 6A.29A.2;
 - (3) the allocation of *modified load export charges*:
 - (i) receivable by other *Co-ordinating Network Service Providers* in *interconnected regions*; and
 - (ii) payable to other *Co-ordinating Network Service Providers* in *interconnected regions*,to each *Transmission Network Service Provider* within its *region* under clause 6A.29A.5; and

- (4) the allocation of proceeds from *auctions* receivable by or payable to the *Transmission Network Service Provider* in its *region* as referred to in clause 6A.23.3(b)(1).
- (b2) In addition to complying with any other requirements under this Chapter 6A, a pricing methodology must provide for giving effect to the transfer of applicable interconnector transfer amounts in accordance with this Chapter if it is the pricing methodology of:
 - (1) a Transmission Network Service Provider that is the Transmission Network Service Provider for a specified interconnector under an interconnector cost allocation agreement; or
 - (2) a Co-ordinating Network Service Provider responsible for allocation of interconnector transfer amounts.
- (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 *Transmission Network Service Provider*, and any other applicable requirements in the *Rules*, when the *Transmission Network Service Provider* is setting the prices that may be charged for the provision of *prescribed transmission services*.
- (d1) Where this Chapter provides that a matter is to be determined in accordance with the *pricing methodology* of a *Transmission Network Service Provider* who is the *Co-ordinating Network Service Provider* for a *region*, then no other *pricing methodology* applies in relation to that matter.
- (e) Subject to clause 6A.24.3, a *pricing methodology* applies for the duration of the relevant *regulatory control period* (or in the case of the *system strength unit price*, for the *system strength charging period* commencing in the *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;
- (b) if that *Transmission Network Service Provider* is also a *Co-ordinating Network Service Provider*, details of:

- (1) all modified load export charges to apply for the following financial year in accordance with the pricing methodology guidelines by 15 February each year; and
- (2) all interconnector transfer amounts to be allocated by the Co-ordinating Network Service Provider for the following financial year by 15 March each year;
- (c) the prices for each of the *categories of prescribed transmission services* to apply for the following *financial year* by:
 - (1) 15 March each year, if the *regulatory year* which commences after that date begins on the commencement of a *financial year*; or
 - (2) 15 May each year, if the *regulatory year* which commences after that date does not begin on the commencement of a *financial year*; ~~and~~
- (d) for a *Transmission Network Service Provider* who is a *System Strength Service Provider*, at the same time it publishes its prices under paragraph (c), the *system strength unit price* for each *system strength node* on its *transmission network* for each *regulatory year* in the *regulatory control period*, updated for indexation (if applicable) at the commencement of each *regulatory year*; ~~and~~
- (e) for the Transmission Network Service Provider for a specified interconnector under an interconnector cost allocation agreement:
 - (1) the current interconnector cost allocation agreement; and
 - (2) at the same time it publishes its prices under paragraph (c), the total of the interconnector transfer amounts to be allocated by a Co-ordinating Network Service Provider for the following financial year in respect of that specified interconnector.

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:
 - (i) submitted or resubmitted a proposed pricing methodology to the AER under clause 6A.10.1, 6A.11.2 or 6A.12.3; or
 - (ii) applied for an amendment to its pricing methodology under clause 6A.15.2(a);
 - (2) the AER has not made a final decision approving or amending that methodology under rule 6A.13 or clause 6A.15.2 (as applicable) by a date that is 5 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 *Transmission Network Service Provider* is reasonably required to commence the process of setting prices for the first pricing year.
- (b) Despite clause 6A.24.1(d), where this clause applies, the *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*;
- (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*.

(b1) Where this clause applies and the proposed *pricing methodology* is intended to give effect to an *interconnector cost allocation agreement* in relation to a specified *interconnector* of the *Transmission Network Service Provider*, the *interconnector transfer amount* for the purposes of these *Rules* for the first pricing year (including for the purpose of making any adjustment required under clause 6A.22.1(4)) is taken to be:

- (1) in the case where subparagraph (b)(1) applies, the amount determined in accordance with the *interconnector cost allocation agreement*; and
- (2) in the case where subparagraph (b)(2) or (b)(3) applies, the amount determined in accordance with the *interconnector cost allocation agreement* for the financial year preceding the first pricing year, which in the case of a new *interconnector cost allocation agreement*, will be zero.

(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 *Transmission Network Service 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; ~~and~~;
- (3) where applicable, none of the *Co-ordinating Network Service Providers* under the applicable *interconnector cost allocation agreement* are 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.25.2 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*;
- (f) **[Deleted]**
- (g) the matters which *Transmission Network Service Providers* that are also *Co-ordinating Network Service Providers* must include in their *pricing methodologies* in accordance with clause 6A.24.1(b1) for:
 - (1) ~~the allocations and related adjustments for that region as provided for in clause 6A.29.2(a); the allocation of the AARR for prescribed transmission services provided by Transmission Network Service Providers within that region, including any allocation of the AARR as agreed between Transmission Network Service Providers in accordance with clause 6A.29.3;~~
 - (2) the calculation of *modified load export charges* consistent with clause 6A.29A.2; and
 - (3) the allocation of *modified load export charges*:
 - (i) receivable by other *Co-ordinating Network Service Providers* in *interconnected regions*; and
 - (ii) payable to other *Co-ordinating Network Service Providers* in *interconnected regions*,

to each *Transmission Network Service Provider* within its *region* under clause 6A.29A.5; and

- (h) permitted methodologies for determining the *system strength unit price* component of the *system strength charge*, having regard to the following:
 - (1) the *system strength charge* structure in clause 6A.23.5;
 - (2) the desirability of providing efficient investment and *system strength transmission service* utilisation signals to actual and potential *System Strength Transmission Service Users* based on the long run cost of providing *system strength transmission services* at the relevant location;
 - (3) the desirability of consistent pricing structures across the *NEM*; and
 - (4) the costs and benefits associated with calculating, implementing and applying the methodology; and
- (i) principles for determining estimated *annual system strength revenue* and forecast actual *annual system strength revenue*.

6A.29 Multiple Transmission Network Service Providers

6A.29.1 Co-ordinating Network Service Provider for a region~~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 ~~appointing~~ *Transmission Network Service Providers* ~~(the appointing provider)~~ within that *region* must appoint a *Co-ordinating Network Service Provider* for that *region*.
- (b) If *prescribed transmission services* within a *region* are provided by only one *Transmission Network Service Provider*, that *Transmission Network Service Provider* is the *Co-ordinating Network Service Provider* for the *region* for the purposes of this Chapter and *NTP function expenditure* under rule 2.11 and must liaise with the *Transmission Network Service Provider* similarly responsible in any other *interconnected regions*.

6A.29.1A Provision of AARR values to a Co-ordinating Network Service Provider

- (a) 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*.
- (b) Each *Transmission Network Service Provider* within a *region* (not being the *Co-ordinating Network Service Provider* for the *region*) must provide its calculation of its *AARR* for the *region* and other information reasonably requested by the *Co-ordinating Network Service Provider* for that *region* to enable the *Co-ordinating Network Service Provider* to properly perform its functions under this Part J.

6A.29.2 Responsibilities of the Co-ordinating Network Service Provider

- (a) The *Co-ordinating Network Service Provider* *for a region* is responsible for:

- (1) ~~in accordance with rule 6A.23, the allocation of AARR to services and related adjustments with respect to of all relevant AARR within that region; including any allocation of the AARR as agreed between Transmission Network Service Providers in accordance with clause 6A.29.3;~~
 - (i) the Co-ordinating Network Service Provider;
 - (ii) all other Transmission Network Service Providers providing prescribed transmission services within the relevant region;
 - (iii) any allocation of the AARR as agreed between Transmission Network Service Providers as provided for in clause 6A.29.3; and
 - (iv) any interconnector transfer amount that the Co-ordinating Network Service Provider is responsible for allocating as provided for in clause 6A.29.4;
 - (2) the calculation of *modified load export charges* and any adjustments to the charges in accordance with the *Rules* payable by *Co-ordinating Network Service Providers* in *interconnected regions*; and
 - (3) the allocation of *modified load export charges* and any adjustments to the charges in accordance with the *Rules* payable or receivable to or from *Co-ordinating Network Service Providers* in *interconnected regions* to each *Transmission Network Service Provider* within its *region*.
- ~~(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.~~
- ~~(bd)~~ The *Co-ordinating Network Service Provider* is responsible for making the allocation and other adjustments referred to in ~~paragraph (a)~~ 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 any other Transmission Network Service Provider within the region ~~an appointing provider~~ is not required to address the matters specified in clause 6A.24.1(b)(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 Co-ordinating Network Service Provider to properly perform its functions under this Part J.~~
- ~~(cf)~~ The *Co-ordinating Network Service Provider* must provide sufficient information to any other Transmission Network Service Provider within the region ~~an appointing Transmission Network Service Provider~~ to enable that provider:

- (1) to understand the basis for the allocation and related adjustments referred to in paragraph (a)~~paragraphs (a) and (d)~~; and

- (2) to prepare its *pricing methodology* and replicate the pricing allocation.

~~(g) If prescribed transmission services within a region are provided by only one Transmission Network Service Provider, then references in rule 2.11 and clause 6A.23.3 to a Co-ordinating Network Service Provider in respect of NTP function expenditure and fees are to be read as a reference to that Transmission Network Service Provider.~~

~~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 Transmission Network Service 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 Co-ordinating Network Service Provider~~Transmission Network Service Providers responsible for the allocation of the AARR within a region may agree with one or more other Co-ordinating Network Service Providers ~~such providers~~ for *interconnected regions* to undertake the allocations of AARR and related adjustments as one ~~process~~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.

6A.29.4 Allocation in accordance with an interconnector cost allocation agreement

Defined terms and implementation criteria

- (a) In this clause:

relevant Minister, for a region, means the *Minister of a participating jurisdiction* (other than the Commonwealth and the Australian Capital Territory) that is wholly or partly within the boundaries of that region.

qualifying interconnector means an *interconnector* that satisfies at least one of the following criteria:

- (1) as at 12 September 2024, the network services provided by means of the interconnector were market network services;
- (2) as at 12 September 2024, construction of the interconnector had not commenced; or
- (3) after 12 September 2024, construction commenced on a project to materially upgrade the rated power transfer capability of the interconnector and that material upgrade was the subject of an actionable ISP project.

- (b) The following requirements are the implementation criteria that must be satisfied by an interconnector cost allocation agreement:

- (1) the agreement must be expressed to be made for the purposes of this clause 6A.29.4;
- (2) the agreement must identify the *interconnector* that it relates to (the *specified interconnector*);
- (3) the *specified interconnector* must be a qualifying interconnector;
- (4) the services provided by means of the *specified interconnector* must not, at any time after the start of the first *implementation year*, be *market network services*;
- (5) the parties to the agreement must comprise all of the following *Ministers*, and may include any other *Minister*:
 - (i) each relevant Minister for each *region* that is *interconnected* by the *specified interconnector*; and
 - (ii) the relevant Minister for any other *region* whose *Co-ordinating Network Service Provider* will be responsible for allocating an *interconnector transfer amount* calculated under the agreement;
- (6) the agreement must be binding and executed as a deed and must not be subject to any unfulfilled conditions;
- (7) the agreement must specify all of the following matters:
 - (i) the *transmission system* assets to which it relates;
 - (ii) the *Transmission Network Service Provider* for the *specified interconnector*;
 - (iii) each *Co-ordinating Network Service Provider* responsible for allocation of an *interconnector transfer amount* calculated under the agreement, as provided for in clause 6A.29.2(a)(1)(iv);
 - (iv) each *implementation year* applicable to the agreement; and
 - (v) the *interconnector transfer amount* to be allocated by each responsible *Co-ordinating Network Service Provider* in each *implementation year*, or the manner in which that amount is to be calculated;
- (8) a certified copy of the agreement must have been provided to the *Transmission Network Service Provider* and each responsible *Co-ordinating Network Service Provider*; and
- (9) where the *region* of a responsible *Co-ordinating Network Service Provider* contains the Australian Capital Territory, the agreement must contain a statement confirming that the *Minister* for the Australian Capital Territory has been consulted in relation to the agreement and, where applicable, any amendment to it.

Implementation of an interconnector cost allocation agreement

- (c) The remaining paragraphs of this clause apply where the approved *pricing methodology* of the *Transmission Network Service Provider* for the *specified interconnector* under an *interconnector cost allocation agreement* provides for giving effect to the *interconnector cost allocation agreement* in accordance with the *Rules*.

- (d) For each implementation year of the interconnector cost allocation agreement, by 15 February in the prior financial year, the Transmission Network Service Provider for the specified interconnector must:
- (1) determine, in accordance with the interconnector cost allocation agreement, the interconnector transfer amount that each Co-ordinating Network Service Provider is responsible for in accordance with clause 6A.29.2(a)(1)(iv); and
 - (2) notify those amounts to each responsible Co-ordinating Network Service Provider.
- (e) A Transmission Network Service Provider for a specified interconnector must promptly provide information reasonably requested by a responsible Co-ordinating Network Service Provider to enable the Co-ordinating Network Service Provider to properly perform its functions with respect to implementation of an interconnector cost allocation agreement.
- (f) For each implementation year of an interconnector cost allocation agreement, each Co-ordinating Network Service Provider under the agreement must pay the interconnector transfer amount that it was responsible for to the Transmission Network Service Provider for the specified interconnector in equal monthly instalments.

Other adjustments to avoid double counting and other distortions

- (g) When calculating its AARR for a region in accordance with clause 6A.29.1A(a), a Transmission Network Service Provider for a specified interconnector must deduct from its AARR for the region the total of the interconnector transfer amounts for the relevant period notified under paragraph (d) to the Co-ordinating Network Service Provider of any other region.
- (h) If in respect of any financial year a Co-ordinating Network Service Provider is required to pay an amount to a Transmission Network Service Provider under paragraph (f), it is not also required to pay the same amount to that entity under any other provision of this Chapter 6A.
- (i) For each implementation year of an interconnector cost allocation agreement, for the purposes of calculating modified load export charges payable to or by the Co-ordinating Network Service Providers for the regions that are interconnected by the specified interconnector, the optimised replacement cost of the transmission system assets specified in the relevant interconnector cost allocation agreement must be taken to be zero.

Amendments to pricing methodologies for new or amended interconnector cost allocation agreements

- (j) The Transmission Network Service Provider for the specified interconnector under an interconnector cost allocation agreement must (in addition to complying with clause 6A.10.1(j) for future regulatory control periods) apply to the AER under clause 6A.15.2(a) for an amendment to its current pricing methodology where:
- (1) the parties provide the interconnector cost allocation agreement, or an amendment to the agreement, to the Transmission Network Service Provider; and

- (2) an implementation year under the agreement, or affected by the amendment to the agreement, falls in the current regulatory control period of the Transmission Network Service Provider.
- (k) A Co-ordinating Network Service Provider responsible for allocation of interconnector transfer amounts under an interconnector cost allocation agreement must (in addition to complying with clause 6A.10.1(j) for future regulatory control periods) apply to the AER under clause 6A.15.2(a) for an amendment to its current pricing methodology where:
- (1) the parties provide the agreement, or an amendment to the agreement, to the Co-ordinating Network Service Provider;
 - (2) an implementation year under the agreement, or affected by the amendment to the agreement, falls in the current regulatory control period of the Co-ordinating Network Service Provider; and
 - (3) the Co-ordinating Network Service Provider requires an amendment to its current pricing methodology to perform its responsibilities with respect to interconnector transfer amounts under the agreement during its current regulatory control period.

6A.29A Modified load export charges

This rule sets out the arrangements for the calculation, invoicing and payment of *modified load export charges*.

6A.29A.1 ~~[Deleted] Single Transmission Network Service Provider in a Region~~

~~For the purposes of this rule if prescribed transmission services within a region are provided by only one Transmission Network Service Provider then references in this rule to a Co-ordinating Network Service Provider is to be read as a reference to that Transmission Network Service Provider.~~

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

[Deleted]

Schedule 6A.4 Application of this Chapter to AEMO and declared transmission system operators

S6A.4.2 Exclusions, qualifications and modifications

- (a) This Chapter will be read subject to the following exclusions, qualifications and modifications.
- (b) **Part A (Introduction)**
Clause 6A.1.4(b) is excluded.
- (c) **Part B (Transmission Determinations Generally)**
This Part applies subject to the following exclusions, qualifications and modifications:

Clause 6A.2.2 (Components of transmission determinations):

- (1) *A transmission determination for AEMO will not include a revenue determination.*
- (2) *However, AEMO must have a revenue methodology (which will not be subject to the AER's approval) setting out the method for calculating AEMO's maximum allowed revenue for the provision of prescribed transmission services for each regulatory year.*
- (3) *In formulating its revenue methodology, or an amendment to its revenue methodology, AEMO must consult with the public.*
- (4) *AEMO's maximum allowed revenue consists of:*
 - (i) *so much of the ~~AARR aggregate annual revenue requirement~~ of each declared transmission system operator for AEMO's regulatory year as relates to the provision to AEMO of shared network capability services; and*
 - (ii) *the other costs forecast to be incurred by AEMO in the same regulatory year for the provision of prescribed shared transmission services.*

Note:

The costs under subparagraph (ii) might include the cost of *electricity network services* provided by a *declared transmission system operator* where those services are, from the standpoint of the operator, not *prescribed transmission services*.

- (5) *The revenue methodology must include a description of:*
 - (i) *the categories of costs to be recovered; and*
 - (ii) *the method (which must be consistent with the *Cost Allocation Principles*) for allocating costs to *prescribed transmission services* and *negotiated transmission services*; and*
 - (iii) *how under and over recovery of revenue in a particular regulatory year is to be treated.*
- (6) *The revenue methodology must be consistent with section 52 of the NEL and the provisions of Chapter 2 of the Rules applicable to AEMO.*
- (7) *AEMO must comply with its revenue methodology.*
- (8) *Before the commencement of the regulatory year to which AEMO's revenue methodology applies, AEMO must publish:*
 - (i) *the revenue methodology; and*
 - (ii) *a report on how it has applied its revenue methodology for the purpose of determining prices for the ensuing regulatory year.*
- (9) *However, for the regulatory year commencing on 1 July 2009, AEMO may, instead of formulating and publishing its own revenue methodology, adopt as its revenue methodology relevant provisions of the transmission determination that would have applied to VENCORP for that regulatory year if the legislative and regulatory changes that*

took effect at the commencement of that *regulatory year* had not been made.

Clause 6A.3.3 (Concessional finance adjustments):

- (10) For the purposes of clause 6A.3.3, *AEMO* is not a *Transmission Network Service Provider* in relation to assets that form part of an *augmentation* that is *contestable* as determined by *AEMO* in accordance with Part H of Chapter 8 of the *Rules*.
- (11) A *declared transmission system operator* who receives *concessional finance* for assets that form part of an *augmentation* that is not *contestable* as determined by *AEMO* in accordance with Part H of Chapter 8 of the *Rules*, must provide to *AEMO* the *concessional finance agreement* provided to the *AER* under clause 6A.3.3 at the same time that agreement is provided to the *AER*, as well as any other information reasonably requested by *AEMO* in relation to the *concessional finance agreement*.

(d) **Part C (Regulation of Revenue – Prescribed Transmission Services)**

This Part is not applicable to *AEMO*.

This Part applies to a *declared transmission system operator* with the following modification of clause 6A.7.1:

If a *declared transmission system operator* is directed by *AEMO*, or is required by or agrees with a *Connection Applicant*, to construct an *augmentation*, clause 6A.7.1 applies as if:

- (1) the direction, requirement or agreement were an event in respect of which the *declared transmission system operator* were unconditionally authorised under clause 6A.7.1(a) to apply to the *AER* for revocation and substitution of a *revenue determination*; and
- (2) clause 6A.7.1(a)(1) to (7) were inapplicable to an application founded on such an event; and
- (3) the following were added after clause 6A.7.1(d):
 - (da) If a *declared transmission system operator* is directed by *AEMO*, or is required by or agrees with a *Connection Applicant*, to construct an *augmentation*, and the operator applies to the *AER* for revocation of a *revenue determination* on that ground, the *AER* must revoke the *revenue determination*.

(e) **[Deleted]**

(f) **Part E (Revenue determinations and pricing methodologies)**

Part E applies subject to the following exclusions, qualifications and modifications:

- 1. Clause 6A.10.1 (Submission of proposal, pricing methodology and information)

Clause 6A.10.1 applies to *AEMO* as if for paragraphs (a), (b) and (c) the following were substituted:

- (a) *AEMO* must, as and when required by the *AER*, submit to the *AER*:
 - (1) a proposed *pricing methodology* relating to *shared transmission services* that are *prescribed TUOS services* or *prescribed common transmission services* (**prescribed shared transmission services**).
 - (2) **[Deleted]**
 - (b) *AEMO's pricing methodology*:
 - (1) must be designed to recover no more than *AEMO's maximum allowed revenue* for the provision of *prescribed shared transmission services*; and
 - (2) must set out the principles on which prices for *prescribed shared transmission services* are to be determined.
 - (c) Exact equivalence is not required between the costs of providing a service and the revenue derived from providing the service in a particular *regulatory year* if there are reasonable grounds to believe that costs will over time approximate revenue.
 - (ca) **[Deleted]**
- 1A. Clause 6A.10.1A *AER's framework and approach paper*)
Clause 6A.10.1A is not applicable to *AEMO*.
 2. **[Deleted]**
 3. Clause 6A.11.1 (Preliminary examination and determination of non-compliance with relevant requirements)
Clause 6A.11.1 applies to *AEMO* only insofar as relevant to a *pricing methodology*.
 4. Clause 6A.11.2 (Resubmission of proposal, pricing methodology or information)
Clause 6A.11.2 applies to *AEMO* only insofar as relevant to a *pricing methodology*.
 5. Clause 6A.11.3 (Resubmission of proposal, pricing methodology or information)
Clause 6A.11.3 applies to *AEMO* only insofar as relevant to a *pricing methodology*.
 6. Rule 6A.12 (Draft decision and further consultation)
This *Rule* applies to *AEMO* only insofar as relevant to a decision on a *pricing methodology*.
 7. Rule 6A.13 (Final decision)
This *Rule* applies to *AEMO* only insofar as relevant to a decision on a *pricing methodology*.
 8. Rule 6A.14 (Requirements relating to draft and final decisions)

- (a) This *Rule* applies to *AEMO* only insofar as relevant to a decision on a *pricing methodology*.
- (b) Clause 6A.14.3(e) (which requires the *AER* to approve a *regulatory control period* of 5 *regulatory years*) is inapplicable to *AEMO*.

Note:

The *Rule* is thus largely inapplicable. Of clause 6A.14.1 only paragraphs (6), (7) and (8) are applicable. Clause 6A.14.2 requires the *AER* to give reasons setting out the basis and rationale of its decision. This requirement is relevant to a decision on a pricing methodology but the matters of detail mentioned in paragraphs (1) to (4) would, as a general rule, be irrelevant to such a decision. Of clause 6A.14.3 only paragraphs (f) to (i) would be relevant.

- 9. Rule 6A.15 (Revocation of revenue determination or amendment of pricing methodology ~~for wrong information or error~~)

This *Rule* applies to *AEMO* only insofar as relevant to the amendment of a *pricing methodology*.

- 10. Rule 6A.16 (Miscellaneous)

This *Rule* applies as if it included the following additional paragraphs:

- (g) *AEMO* must, on or before 15 May in each year, *publish* its prices for *prescribed shared transmission services* for its next *regulatory year*.
- (h) A *declared transmission system operator* must notify *AEMO* of its revenue requirement for the provision of *shared network capability services* for *AEMO's* next *regulatory year* in sufficient time to enable *AEMO* to calculate prices in accordance with the approved *pricing methodology* and meet its obligations under paragraph (g).

- (g) **Part F (Information Disclosure)**

This Part is not applicable to *AEMO*.

- (h) **Part G (Cost Allocation)**

AEMO's revenue methodology must be consistent with the *Cost Allocation Principles* set out in this Part: see clause S6A.4.2(c)(5). This Part applies to *AEMO* only insofar as it is relevant to that requirement.

- (i) **Part H (Transmission Consultation Procedures)**

No exclusions, qualifications or modifications are prescribed.

- (j) **Part I (Ring-Fencing Arrangements for Transmission Network Service Providers)**

This Part is not applicable to *AEMO*.

- (k) **Part J (Prescribed Transmission Services – Regulation of Pricing)**

Part J applies subject to the following exclusions, qualifications and modifications:

- 1. Rule 6A.23 (Pricing Principles for Prescribed Transmission Services)

Clause 6A.23.3 applies as if it included the following additional paragraphs:

- (g) In relation to the *declared transmission system* of an *adoptive jurisdiction*:
 - (1) *AEMO* is responsible for allocating the *ASRR* for *prescribed TUOS services* and *prescribed common transmission services*; and
 - (2) the relevant *declared transmission system operator* is responsible for allocating the *ASRR* for *prescribed entry services* and *prescribed exit services*.
- (h) A *declared transmission system operator* must:
 - (1) allocate costs between *shared network capability services* and *prescribed connection services*; and
 - (2) notify *AEMO* of its allocation (and the basis on which it was made) in sufficient time to calculate prices for *AEMO's* next *regulatory year* in accordance with its *pricing methodology*; and
 - (3) provide *AEMO* (as and when requested by *AEMO*) with the information *AEMO* reasonably requires to allocate *ASRR* for *prescribed TUOS services* and *prescribed common transmission services*.

Clause 6A.23.4 applies as if it included the following additional paragraph:

- (k) A *declared transmission system operator* is not required to develop separate prices for recovery of the *ASRR* referable to *shared network capability services*.

For clause 6A.23.5, the definition of *system strength charging period* in paragraph (b) is replaced with the following definition:

system strength charging period means, for a *System Strength Service Provider*, the period from the commencement of this definition until 30 June 2027 and each subsequent period of 5 years except that if a *pricing methodology* of the *System Strength Service Provider* commences at the start of any such period and is in effect for longer than 5 years, the subsequent period ends when that *pricing methodology* ends.

2. Rule 6A.24 (Pricing Methodology)

Clause 6A.24.1 applies as if the following paragraphs were substituted for paragraphs (e) and (f):

- (e) Subject to express provisions of the *Rules* to the contrary, a *pricing methodology*:
 - (1) applies for the duration of the relevant *regulatory control period* (or in the case of the *system strength unit price*, for the relevant *system strength charging period*); and

(2) may not be amended during the *regulatory control period*.

- (f) However, the *AER* may, on an application made by *AEMO* during the *regulatory year* commencing on 1 July 2009, amend *AEMO's pricing methodology* as it applies to the setting of prices for the *regulatory year* commencing on 1 July 2010 and later *regulatory years*.

Clause 6A.24.2 applies as if the following sub-paragraphs were substituted for sub-paragraphs (c)(1) and (c)(2):

- (1) **[deleted]**; or
(2) 15 May each year.

3. Clause 6A.26.1 (Agreements for prudent discounts for prescribed transmission services)

Clause 6A.26.1 applies as if:

- (1) the power under paragraph (b) to agree to charge lower prices for *prescribed TUOS services* and *prescribed common transmission services* were vested in *AEMO* to the exclusion of the relevant *declared transmission system operator*; and
(2) an additional provision is included that the relevant *declared transmission system operator* must, at the request of *AEMO*, provide to *AEMO* all information *AEMO* reasonably requires for the purpose of considering a proposal for the exercise of that power.

4. Clause 6A.26.2 (Application to *AER* for approval of proposed prudent discount amounts)

- (1) Clause 6A.26.2(b) applies as if the word "may" is substituted for "must".
(2) Clause 6A.26.2(k) is not applicable to *AEMO*.

5. Clause 6A.29.1 (~~Co-ordinating Network Service Provider for a region~~~~Multiple Transmission Network Service Providers within a region~~)

Clause 6A.29.1 applies as if it included the following additional paragraph:

- (g) *AEMO* is (without appointment under clause 6A.29.1(a)) the *Co-ordinating Network Service Provider* for a *region* that includes the whole or the major part of the *declared shared network*.

- (l) **[Deleted]**

- (m) **Schedule S6A.1 (Contents of Revenue Proposals)**

This Schedule is not applicable to *AEMO*.

- (n) **Schedule S6A.2 (Regulatory Asset Base)**

This Schedule is not applicable to *AEMO*.

Clause S6A.2.3(a)(3)(i) is not applicable to a *declared transmission system operator*.

(o) **Schedule S6A.3 (CRNP methodology and modified CRNP methodology)**

This Schedule applies without exclusion, qualification or modification except as provided for in clause 6A.29.4.