



## Application period for contingent project revenue

### Final determination and rule published

The Australian Energy Market Commission (AEMC or Commission) has made a final rule to allow transmission and distribution network businesses to submit a contingent project application at any time during a regulatory control period (RCP) up until the last 90 business days of the second to last year of the RCP.

### Contingent projects

The economic regulatory regime in the National Electricity Rules (NER) allows for limited circumstances in which a network business's revenue allowance can be adjusted during a regulatory control period (generally, a period of five years). One way in which this can happen is through the contingent project mechanism.

The contingent project mechanism can be used where large discrete projects have already been identified as part of a determination, but these projects are uncertain in timing. Contingent projects are not included in the ex-ante revenue allowance that is approved by the Australian Energy Regulator (AER).

However, the definition of the contingent projects and their accompanying trigger events form part of a distribution network service provider's distribution determination and a transmission network service provider's revenue determination by the AER. Trigger events usually include the successful completion of a regulatory investment test (for transmission or distribution as relevant).

When a network business has met the requirements to request cost recovery from consumers for a contingent project (i.e the trigger is met), it submits an application to the AER. Currently, network businesses cannot submit contingent project applications for approval in the last 90 business days of a regulatory year.

The contingent project mechanism in the NER framework requires a year to be left in the RCP after the AER amends a network business' revenue determination in response to a contingent project application. This requirement is to enable the amended determination to take effect.

### The final rule

The Commission's final rule extends the periods that network businesses can submit a contingent project application within an RCP, which may facilitate earlier implementation of transmission and distribution projects.

As a result of this final rule, network businesses can submit a contingent project application at any time during an RCP except for:

- in the last 90 business days of the second last year of an RCP, or
- during the final year of an RCP.

A network business cannot start to recover any approved incremental revenues for a contingent project application submitted within the last 90 business days of a regulatory year (where this is allowed) until the second regulatory year after the application is submitted.

### More preferable rule

The Commission determined that it should make a more preferable rule in order to make

sure the rule changes are consistent with the contingent project framework in the NER, as well as with the operation of network service providers' regulatory and revenue determinations.

In doing so, the final rule provides certainty to the businesses that they will be able to recover the costs of the project and helps to achieve efficient outcomes for consumers.

The rule change request sought to enable network businesses to submit contingent project applications to the AER in the 90 days before the end of a regulatory year, except when that year is the final year of an RCP.

## Background

At the Council of Australian Governments (COAG) Energy Council meeting on 19 December 2018, Ministers discussed and agreed on an approach to deliver the priority transmission projects identified in the Australian Energy Market Operator's Integrated System Plan (ISP) as soon as possible, including rule changes to streamline regulatory processes.

Subsequent to that meeting, stakeholders identified the potential for the restriction preventing network businesses from submitting a contingent project application within the last 90 business days of a regulatory year to delay implementation of some priority ISP projects.

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