



Establishing revenue determinations for intending TNSPs

Stakeholder submissions invited on new rule change request

The Australian Energy Market Commission (AEMC) has published a consultation paper on a rule change request from Marinus Link Pty Ltd (MLPL) and invites stakeholder feedback. The rule change request seeks to enable the Australian Energy Regulator (AER) to establish a revenue determination for an intending Transmission Network Service Provider (TNSP).

An intending TNSP is a party that intends to provide prescribed transmission services, but does not currently do so and who is registered by AEMO as an Intending Participant under Chapter 2 of the NER.

MLPL's rule change request

Key features of MLPL's proposed rule are:

- the AER will be required to undertake revenue determinations, including stakeholder consultation, in circumstances where prescribed transmission services are not yet provided.
- intending TNSPs may propose a regulatory control period in their application for a revenue determination.
- expenditure incurred prior to the first regulatory control period would be included in the RAB, provided that it is prudent and efficient.
- existing NER Chapter 6A arrangements will apply to intending TNSPs.

Provisions that aim to reduce the risk that the AER will be required to make unnecessary or premature revenue determinations are also included.

MLPL says it does not expect the costs of the AER's determination process to be material compared to the benefit of providing a timely revenue determination that facilitates efficient transmission network investment.

Issues such as cost allocation related to Project Marinus or other regulated transmission assets in Commonwealth waters are out of scope of MLPL's rule change request.

Reviewing the current cost allocation approach and suitability of those arrangements for inter-regional transmission is a current priority for the Energy National Cabinet Reform Committee.¹

Key dates in the rule change process

Table 1: Key dates

MILESTONE	DATE
Close of first round submissions	2 June 2022
AEMC to publish draft determination	4 August 2022
Close of second round submissions	15 September 2022
AEMC to publish final determination	27 October 2022

¹ <https://www.energy.gov.au/government-priorities/energy-ministers/priorities>.

Background

Marinus Link is a key actionable project under the ISP

AEMO's draft 2022 ISP lists Marinus Link (cables 1 and 2) as an actionable network investment that supports the 'optimal development path' – among other major transmission projects.

MLPL says Project Marinus is currently progressing through its design and approvals stage after having satisfied the RIT-T requirements. This leads to the need for a final investment decision in relation to the project comprising: the Marinus Link interconnector (progressed by MLPL) and the North West Transmission Developments (progressed by TasNetworks).

MLPL's view is that *“a revenue determination is a pre-requisite for obtaining finance from the capital markets (and ultimately proceeding with the project), and a revenue determination for a new TNSP cannot be made under the existing Rules.”*

The economic regulation framework does not currently provide for intending TNSPs

Once a TNSP completes the RIT-T process for an actionable ISP project, it can submit a contingent project application to the AER subject to meeting the 'trigger event criteria' set out in clause 5.16A.5 of the National Electricity Rules (NER). If the AER is satisfied that the criteria have been met, a TNSPs revenue determination will be adjusted to reflect the efficient and prudent forecast expenditure associated with the contingent project, for each remaining year of the regulatory control period.

However, the contingent project mechanism does not apply to intending TNSPs who do not have a revenue determination. The AER regulates TNSPs under Chapter 6A of the NER. Clause 6A.2.1 of the NER requires the AER to make transmission determinations for TNSPs in respect of prescribed transmission services. Further, Chapter 6A also sets out the provisions governing the process by which a TNSP may obtain a revenue determination. These provisions only apply to participants who are registered as a TNSP and not a participant who is an intending TNSP.

An intending TNSP, registered as an Intending Participant under the NER, may exercise rights and obligations contained in AEMO's Schedule of Rights and Obligations of Intending Participants. However, MLPL's view is that the Schedule is not capable of imposing obligations on the AER to conduct a revenue determination.

Therefore, under the existing rules, MLPL considers that the AER does not have the power to make a revenue determination for an intending TNSP.

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