



INFORMATION

AUSTRALIAN ENERGY MARKET COMMISSION LEVEL 15, 60 CASTLEREAGH STREET SYDNEY NSW 2000
T: 02 8296 7800 E: AEMC@AEMC.GOV.AU W: WWW.AEMC.GOV.AU

Expanding the transmission ring-fencing framework

The Commission has made a more preferable draft rule to empower the Australian Energy Regulator (AER) to impose obligations in respect of negotiated transmission services through its Transmission Ring-Fencing Guidelines.

We are seeking stakeholder feedback on our draft rule determination. Written submissions responding to this draft determination and draft rule must be lodged with the Commission by **4 April 2024**.

Our draft rule determination is in response to a rule change request submitted by the AER to address a gap in the scope of its Transmission Ring-Fencing Guidelines (the Guidelines) that prevents the AER from addressing the risk of discriminatory conduct associated with the provision of negotiated transmission services and non-regulated transmission services.

The Commission has decided to use the fast track rule change process, reflecting the consultation already undertaken by the AER on the nature and content of its proposal.

The draft rule empowers the AER to address the risk of discriminatory conduct in transmission connections

Our draft rule would enable the AER to specify obligations that would require transmission network service providers (TNSPs) to ring-fence their provision of negotiated transmission services from non-regulated transmission services. Currently, the AER only develops Guidelines for the accounting and functional separation of prescribed transmission services from other services provided by the primary TNSP.

The draft rule seeks to address the risk that a primary TNSP may discriminate in favour of itself (or an affiliate) when providing connection services. The concern is that a primary TNSP leverages its exclusive right to provide non-contestable connection services (which is one category of negotiated transmission service) to obtain an advantage over potential competitors in the market for contestable connection services (which are one category of non-regulated transmission services).

For connecting parties that select to engage a third-party provider for the contestable parts of a connection, this could potentially result in increased costs and delays compared to connecting parties that engage the primary TNSP for all aspects of a connection. This, in turn, could discourage potential competitors from participating in the market for contestable connection services if they consider that connecting parties are less likely to tender for their services, eroding confidence in the market and hindering effective competition.

The draft rule seeks to support effective competition in the market for contestable transmission connections

Australia's energy transition is driving a significant increase in demand for connection services from renewable energy and storage developers. Given the increasing size of the market, supporting effective competition in the market for contestable connection services can improve the efficiency of the connection process, delivering savings to consumers and helping meet our decarbonisation targets.

Our more preferable draft rule seeks to support effective competition by providing the AER with the necessary set of tools to address the risk that TNSPs engage in discriminatory behaviour in the market for contestable connection services, giving potential competitors and connection applicants greater confidence to participate in the market and improving its effectiveness.

The draft rule contributes to achieving the NEO

The draft rule would contribute to the national electricity objective (NEO) by:

- *Supporting market efficiency* - by supporting effective competition in the market for contestable connection services.
- *Promoting principles of good regulatory practice* - by maintaining the flexibility of the current principles-based approach to ring-fencing and providing a consistent regulatory approach for addressing similar risks in the provision of prescribed transmission services and distribution services.
- *Providing timely market-wide implementation* - by supporting timely implementation of changes to the AER's Guidelines, providing stakeholders and the market with regulatory certainty.

We are holding a public forum on the draft determination

We will hold a virtual public forum on **11 March 2024**.

The purpose of the forum is to provide an overview of the draft determination and to give stakeholders an opportunity to ask questions.

Interested stakeholders can register for the forum [here](#).

For information contact:

Senior Adviser, **Ashwin Raj** 02 8296 0638

Director, **Martina McCowan** 02 8296 0618

Media enquiries: media@aemc.gov.au

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