



Draft National Electricity Amendment (Improving the cost recovery arrangements for transmission non-network options) Rule 2025

The Australian Energy Market Commission makes the following Rule under the National Electricity Law to the extent applied by:

- (a) the *National Electricity (South Australia) Act 1996* of South Australia;
- (b) the *Electricity (National Scheme) Act 1997* of the Australian Capital Territory;
- (c) the *Electricity - National Scheme (Queensland) Act 1997* of Queensland;
- (d) the *National Electricity (New South Wales) Act 1997* of New South Wales;
- (e) the *Electricity - National Scheme (Tasmania) Act 1999* of Tasmania;
- (f) the *National Electricity (Victoria) Act 2005* of Victoria;
- (g) the *National Electricity (Northern Territory) (National Uniform Legislation) Act 2015* of the Northern Territory; and
- (h) the *Australian Energy Market Act 2004* of the Commonwealth.

Anna Collyer
Chairperson
Australian Energy Market Commission

Draft National Electricity Amendment (Improving the cost recovery arrangements for transmission non-network options) Rule 2025

1 Title of Rule

This Rule is the *Draft National Electricity Amendment (Improving the cost recovery arrangements for transmission non-network options) Rule 2025*.

2 Commencement

This Rule commences operation on [March 2025].

3 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Savings and Transitional Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 6A.2.3 Guidelines

In clause 6A.2.3(a)(1), after "the *information guidelines*" insert ", the *network alternative support payment guidelines*".

[2] Clause 6A.6.6 Forecast operating expenditure

Omit clause 6A.6.6(c) and substitute:

- (c) Subject to paragraph (c1), the *AER* must accept the forecast of required operating expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal* if the *AER* is satisfied that the total of the forecast operating expenditure for the *regulatory control period* reasonably reflects each of the following (the *operating expenditure criteria*):
 - (1) the efficient costs of achieving the *operating expenditure objectives*;
 - (2) the costs that a prudent operator would require to achieve the *operating expenditure objectives*;
 - (3) a realistic expectation of the demand forecast, cost inputs and other relevant inputs required to achieve the *operating expenditure objectives*; and
 - (4) if applicable, a methodology determined by the *AER* under clause 6A.6.6A or clause 6A.7.2A.

[3] Clause 6A.6.6 Forecast operating expenditure

After clause 6A.6.6(c1), insert:

- (c2) If applicable, in considering whether the *Transmission Network Service Provider* must continue to make *network support payments* to fulfil obligations under the relevant agreement for *network support services* in the relevant *regulatory control period* under sub-paragraph (c1)(2), the *AER* must have regard to any methodology that has been determined under clause 6A.6.6A or clause 6A.7.2A relevant to that agreement for *network support services*.

[4] Clause 6A.6.6 Forecast operating expenditure

In clause 6A.6.6(e)(13a), after "clause 6A.6.6A", insert "or 6A.7.2A".

[5] Clause 6A.6.6A AER power to make advance determination with regard to future operating expenditure

Omit clause 6A.6.6A, including the heading, and substitute:

6A.6.6A AER power to make determinations with regard to future operating expenditure

- (a) Subject to paragraph (a1), the *AER* may, on application by a *Transmission Network Service Provider*, make a determination that:
 - (1) expenditure for a proposed *system security network support payment*; or
 - (2) a methodology for a *system security network support payment* or *network alternative support payment*,
specified in the determination, will be consistent with:
 - (3) the *operating expenditure objectives*;
 - (4) the *operating expenditure criteria*;
 - (5) the *operating expenditure factors*; and
 - (6) the factors in clause 6A.7.2(i) relevant to a *system security network support payment*.
- (a1) A *Transmission Network Service Provider* may only make an application under paragraph (a) for a methodology for a *network alternative support payment*:
 - (1) as part of a *Revenue Proposal*; or
 - (2) in conjunction with an application to adjust the *network support payment allowance* under clause 6A.7.2A for a *network alternative support payment* related to that methodology.
- (b) An application submitted by a *Transmission Network Service Provider* under paragraph (a) must comply with any relevant requirements in the *system security network support payment guidelines* or *network alternative support payment guidelines* (as applicable).
- (c) The *AER* may (but is not required to) consult in a manner it considers appropriate on the application submitted under paragraph (a) before making a determination.
- (d) A determination made by the *AER* under paragraph (a) must be consistent with the *system security network support payment guidelines* or *network alternative support payment guidelines* (as applicable).

- (e) The *AER* must make and *publish*, and may amend, guidelines (*system security network support payment guidelines*) that set out in respect of *system security network support payments*:
 - (1) the information to be included in an application submitted under paragraph (a);
 - (2) any eligibility criteria or thresholds that will apply for *system security network support payments* before the *AER* will accept an application for under paragraph (a);
 - (3) the process and timeframes for the *AER* to make its determination under paragraph (a);
 - (4) the relevant factors the *AER* must consider in making its determination under paragraph (a); and
 - (5) any other matters the *AER* considers relevant.
- (e1) The *AER* must make and *publish*, and may amend, guidelines (*network alternative support payment guidelines*) that set out in respect of *network alternative support payments*:
 - (1) the information to be included in an application submitted under paragraph (a) or clause 6A.7.2A(a);
 - (2) any eligibility criteria or thresholds that will apply before the *AER* will accept an application under paragraph (a) or clause 6A.7.2A(a);
 - (3) the process and timeframes for the *AER* to make its determination under paragraph (a) and clause 6A.7.2A(a);
 - (4) the relevant factors the *AER* must consider in making its determination under paragraph (a) and clause 6A.7.2A(a); and
 - (5) any other matters the *AER* considers relevant.
- (f) The *transmission consultation procedures* do not apply to the making or amendment of the *system security network support payment guidelines*.

[6] Clause 6A.7.2 Network support pass through

Omit clause 6A.7.2(i)(3), and substitute:

- (3) except to the extent subparagraph (3a) applies, in the case of a *positive network support event*:
 - (i) the efficiency of the *Transmission Network Service Provider's* decisions and actions in relation to the risk of the event, including whether the provider has failed to take any action that could reasonably be taken to reduce the magnitude of the *positive network support event* and

whether the provider has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that event; and

- (ii) if applicable, a determination made by the *AER* under clause 6A.6.6A or clause 6A.7.2A.

[7] Clause 6A.7.2A Adjusting the network support payment allowance

After clause 6A.7.2, insert:

6A.7.2A Adjusting the network support payment allowance

- (a) The *AER* may, on application by a *Transmission Network Service Provider* during a *regulatory control period*, make a determination to:
 - (1) adjust the *network support payment allowance*; and/or
 - (2) adjust a methodology for a *network alternative support payment* previously determined under clause 6A.6.6A or this clause 6A.7.2A,for that *Transmission Network Service Provider* in respect of any remaining *regulatory year* of that *regulatory control period*.
- (b) An application submitted by a *Transmission Network Service Provider* under paragraph (a) must comply with:
 - (1) the *operating expenditure objectives*;
 - (2) the *operating expenditure criteria*;
 - (3) the *operating expenditure factors*; and
 - (4) any relevant requirements in the *network alternative support payment guidelines*.
- (c) The *AER* may (but is not required to) consult in a manner it considers appropriate on the application submitted under paragraph (a) before making a determination.
- (d) A determination made by the *AER* under paragraph (a) must be consistent with:
 - (1) the *network alternative support payment guidelines*; and
 - (2) if applicable to an adjustment to the *network support payment allowance*, a methodology determined under clause 6A.6.6A or this clause 6A.7.2A.

[8] Clause 6A.22.1 Aggregate annual revenue requirement (AARR)

Omit clause 6A.22.1(2)(ii) and substitute "[Deleted]".

[9] Chapter 10 Glossary

In Chapter 10, insert the following new definitions in alphabetical order:

network alternative support payment

A payment made by a *Transmission Network Service Provider* to:

- (a) any *Generator* or *Integrated Resource Provider* providing *network support services* in accordance with clause 5.3A.12; or
- (b) any other person providing a *network support service* that is an alternative to *network augmentation*.

network alternative support payment guidelines

The guidelines made by the *AER* under clause 6A.6.6A(e1).

[10] Chapter 10 Glossary

In paragraph (a) of the definition of “*network support event*”, omit “*network support payments*” and substitute “*network alternative support payments*”.

[11] Chapter 10 Glossary

Omit the definition of “*network support payment*” and substitute:

network support payment

Any of the following payments:

- (a) a *network alternative support payment*; or
- (b) a *system security network support payment*.

[12] Chapter 10 Glossary

Omit the definition of “*network support payment allowance*” and substitute:

network support payment allowance

The amount of *network alternative support payments* (if any) that is provided for a *Transmission Network Service Provider* for a *regulatory year* in the *annual building block revenue requirement* for the *Transmission*

Network Service Provider for that *regulatory year*, as may be adjusted under clause 6A.7.2A.

Schedule 2 Savings and Transitional Amendment to the National Electricity Rules

(Clause 4)

[1] New Rule 11.XXX Improving the cost recovery arrangements for transmission non-network options

In chapter 11, after rule 11.xxx, insert:

Rule 11.XXX Improving the cost recovery arrangements for transmission non-network options

11.XXX.1 Definitions

(a) For the purposes of this rule 11.xxx:

Amending Rule means the *National Electricity Amendment (Improving the cost recovery arrangements for transmission non-network options) Rule 2024*.

commencement date means [March 2025], being the commencement date of the Amending Rule.

former clause 6A.22.1 means clause 6A.22.1 of the *Rules* as in force immediately before the commencement date.

transitional period means the period beginning on the commencement date and ending on the date the *AER publishes the network alternative support payment guidelines*.

(b) Italicised terms used in this rule 11.xxx have the same meaning as in Chapter 10.

11.XXX.2 Network alternative support payment guidelines

By no later than 9 months after the commencement date, the *AER* must develop and *publish* the *network alternative support payment guidelines* under clause 6A.6.6A(e1).

11.XXX.3 Application of Amending Rule during the transitional period

(a) If a *Transmission Network Service Provider* makes an application under clause 6A.6.6A(a)(2) for a methodology for a *network alternative support payment*, or under clause 6A.7.2A(a), during the transitional period, then:

- (1) the *network alternative support payment guidelines* do not apply to that application or the *AER's* determination in respect of that application;
- (2) the application must demonstrate that the agreement for *network support services* (which may be in draft or executed) meets the

- eligibility criteria and threshold set out in paragraph (b) and demonstrates that the payment or payment methodology in the agreement for *network* support services is prudent and efficient; and
- (3) the *AER* must process the application in accordance with paragraphs (c) and (d).
- (b) A *Transmission Network Service Provider*’s application must comply with the following eligibility criteria and materiality threshold:
- (1) the application must be made after completion of all relevant regulatory processes (including *regulatory investment test for transmission* appeals and material changes in circumstances);
- (2) all services in the agreement for *network* support services being reviewed must be ‘preferred options’ under a completed *regulatory investment test for transmission*, or a ‘secondary option’ approved by the *AER* on the basis it is a lower cost option than the *regulatory investment test for transmission* preferred options; and
- (3) the agreement for *network* support services expected average annual payment must exceed 1% of *AER* approved unsmoothed revenues in a *regulatory year* for the current *regulatory control period*.
- (c) Subject to paragraph (d), the *AER* must make a determination within 40 *business days* from the later of the date it receives the application that meets the eligibility criteria and materiality threshold set out in paragraph (b), or the date it receives any additional information sought by the *AER* in a subsequent information request.
- (d) If the *AER* is satisfied that the making of a determination involves issues of such complexity or difficulty that the 40 *business day* limit should be extended, the *AER* may extend that time limit by a further period of up to 60 *business days*. In this case, the *AER* must advise the *Transmission Network Service Provider* in writing of the additional time required.

11.XXX.4 System security network support payment allowance

If, on the commencement date, a *Transmission Network Service Provider* has a *network support payment allowance* for a *regulatory year* that relates to *system security network support payments*, then former clause 6A.22.1 continues to apply to that *Transmission Network Service Provider* for the remainder of its *regulatory control period*.