



Australian Energy Market Commission

RULE CHANGE

DRAFT RULE DETERMINATION

National Electricity Amendment (DNSP recovery of transmission-related charges) Rule 2010

Rule Proponent

United Energy Distribution

Commissioners

Pierce
Henderson
Spalding

2 December 2010

JOHN PIERCE

Chairman

For and on behalf of the Australian Energy Market Commission

Inquiries

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E: aemc@aemc.gov.au

T: (02) 8296 7800

F: (02) 8296 7899

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About the AEMC

The Council of Australian Governments, through its Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005 to be the rule maker for national energy markets. The AEMC is currently responsible for rules and providing advice to the MCE on matters relevant to the national energy markets. We are an independent, national body. Our key responsibilities are to consider rule change proposals, conduct energy market reviews and provide policy advice to the MCE, as requested, or on AEMC initiative.

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Summary

This draft Rule determination is in relation to United Energy Distribution's Rule change request (which was submitted on behalf of all Victorian distribution network service providers (DNSPs)) on how DNSPs can recover the costs they incur for transmission services, inter-DNSP payments, and avoided customer transmission use of system (TUOS) payments to embedded generators. The draft Rule, which is a more preferable Rule, specifies the types of charges that can be recovered through the annual pricing proposal process under clause 6.18.7 of the National Electricity Rules (NER). These charges would be:

- prescribed exit services;
- prescribed common transmission services;
- prescribed TUOS services;
- avoided customer TUOS payments;
- payments between DNSPs for use of the distribution system which are charges for prescribed transmission services; and
- charges for standard control services from other DNSPs it incurs as a Distribution Customer.

The draft Rule would allow DNSPs to recover legitimate costs they incur in supplying standard control services. To protect the interests of consumers, the draft Rule ensures that there is sufficient regulatory oversight on the charges that DNSPs may recover.

The Australian Energy Market Commission (AEMC or Commission) considers that the draft Rule would have a limited impact on consumers as it only clarifies the charges that DNSPs are currently allowed to recover. There may be minor administrative impacts on DNSPs and the Australian Energy Regulator (AER).

The Commission proposes that the arrangements would commence for each DNSP in its next regulatory year. Specific transitional provisions have been made for Victorian DNSPs as their distribution determination was made before this Rule change process was finished.

Submission on the draft Rule determination and draft Rule are to be provided by 21 January 2011.

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1 United Energy Distribution's Rule change request

1.1 The Rule change request

On 24 June 2010, the Australian Energy Market Commission (AEMC or Commission) received a Rule change request from United Energy Distribution (Proponent) on behalf of Victorian distribution network service providers (DNSPs) to make a Rule regarding how DNSPs recover the charges for transmission services, inter-DNSP payments, and avoided customer transmission use of system (TUOS) payments to embedded generators (Rule change request).¹

Under clause 6.18.7 of the National Electricity Rules (NER), DNSPs may recover 'charges for transmission use of system services' by including these charges in their annual pricing proposals. The Proponent requested that these pricing provisions be amended such that the reference to 'transmission use of system services' is replaced with 'transmission services' and to also include the recovery of charges for inter-DNSP payments and avoided customer TUOS payments. The Proponent considered that the proposed Rule reflects the existing practice in Victoria and other jurisdictions. The Proponent also considered that the proposed Rule would remove uncertainty about how these charges are recovered.

1.2 Rationale for Rule change request

In this Rule change request the Proponent stated that:

- transmission service charges, inter-DNSP payments and avoided customer TUOS payments are no different to charges for TUOS services which are currently allowed to be recovered under clause 6.18.7 of the NER. They are charges for services that are required for the provision of standard control services and should therefore be dealt with in a comparable fashion to charges for TUOS services in pricing proposals submitted by DNSPs;²
- the proposed Rule gives effect to the intention of existing regulation and practice in Victoria for DNSPs to recover the aggregate of all charges for transmission services, inter-DNSP payments and avoided customer TUOS payments in the form of transmission tariffs from all distribution customers;
- the proposed Rule codifies existing regulatory practice such as for the Queensland and New South Wales DNSPs who are able to recover transmission service charges, inter-DNSP payments and avoided customer TUOS payments;
- it is general practice for DNSPs to include charges for transmission services as part of TUOS service charges in their respective pricing proposals (as opposed to

¹ The Commission notes the Proponent did not propose definitions for 'transmission service charges' and inter-DNSP payments.

² Ibid.

forecast costs associated with transmission service charges as a part of operating expenditure (opex) because it is not accepted regulatory practice); and

- the Rule change request addresses a gap in the NER and clarifies a drafting oversight.

1.3 Solution proposed in the Rule change request

The Proponent proposed to resolve the issues discussed above by making a Rule that:³

- addresses a lack of specificity under clauses 6.18.2 and 6.18.7 of the NER (and other consequential changes) where the annual pricing provisions refer only to the pass through of ‘transmission use of system’ charges;
- amends clauses 6.18.2 and 6.18.7 (and other consequential changes) by including transmission service charges, inter-DNSP payments and avoided customer TUOS payments;⁴ and
- allows DNSPs to incorporate these charges in their annual pricing proposals.

1.4 Relevant background

Current processes and issue identified

DNSPs are currently subject to a five-year regulatory control period.⁵ The Australian Energy Regulator (AER) makes distribution determinations by applying the building blocks approach. This allows the AER to determine the allowed revenue that DNSPs are entitled to for providing standard control services. As part of this process, the AER considers a DNSP’s forecast expenditure which has to reasonably reflect efficient and prudent costs based on realistic estimates of forecast demand and cost inputs.⁶

Under the current NER, DNSPs are required to prepare annual pricing proposals, which set out the pricing structure they will use each year to recover the allowed revenues set out in their distribution determination.⁷ Charges incurred by DNSPs for ‘transmission use of system services’ and payments DNSPs make under feed-in schemes and climate change funds are not included in the annual revenue requirement as they are recovered through the annual pricing proposal process.⁸ DNSPs must

³ United Energy Distribution, Rule change request, 24 June 2010.

⁴ The Commission notes the Proponent did not propose definitions for ‘transmission service charges’ and inter-DNSP payments.

⁵ Clause 6.3.2(b) of the NER.

⁶ Clauses 6.4.3(a)(7) and 6.5.6(c) of the NER.

⁷ Clause 6.18.2 of the NER.

⁸ Clauses 6.18.2, 6.18.7 and 6.18.7A of the NER.

submit pricing proposals to the AER each year and the AER must approve them if they comply with the distribution determination and annual pricing provisions.⁹

The Rule change request raised the issue that there appears to be a lack of specificity under the annual pricing provisions in Chapter 6 of the NER, where the annual pricing provisions only refer to the pass through of 'transmission use of system' charges.¹⁰ However, there are other transmission-related charges that DNSPs incur. The Proponent proposed that charges for transmission services, inter-DNSP payments and avoided customer TUOS payments to embedded generators should also be included in the annual pricing provisions.

Also, in addition to transmission service charges, inter-DNSP payments and avoided customer TUOS payments, the Proponent proposed that charges for network support agreements should also be recovered through the annual pricing proposal process.¹¹ The Proponent referred to this type of charge arising from clause 5.6.2(m), where a Network Service Provider (NSP) implements a generation option as an alternative to network augmentation, the cost of the network support would be included in distribution service prices. It considered that as these are charges for network support agreements which cannot be forecast accurately as part of the distribution determination process, they should be recovered through tariffs as part of the annual pricing proposal process.¹² The Proponent suggests that this would include the network support agreement charges paid by SPI Electricity for the Bairnsdale Power Station.¹³

To provide an example of the magnitude of the charges affected by the Rule change request, some of the charges for the previous regulatory control period (1 January 2006 to 31 December 2010) in Victoria were:¹⁴

- Citipower: annual averages of \$8.8m for transmission service charges and \$3.7m for inter-DNSP payments;
- Jemena: annual averages of \$7.4m for transmission service charges, -\$3.2m for inter-DNSP payments, and \$0.2m for avoided customer TUOS payments;
- Powercor: annual averages of \$17m for transmission service charges, \$1.2m for inter-DNSP payments, and \$0.6m for avoided customer TUOS payments;
- SP AusNet: annual averages of \$11.4m for transmission service charges, -\$1.7m for inter-DNSP payments, and \$0.4m for avoided customer TUOS payments; and

⁹ Clauses 6.18.2 and 6.18.8 of the NER.

¹⁰ Clause 6.18.7 of the NER.

¹¹ United Energy Distribution, Submission to first round consultation, 8 October 2010, pp. 4. 8-9.

¹² Ibid.

¹³ United Energy Distribution, Initial submission, 3 September 2010, p. 10. This issue is considered further in section 6.3.

¹⁴ United Energy Distribution, Initial submission, 3 September 2010, pp. 9-10. Note: where the charges have a negative value, this refers to the DNSP being paid, as opposed to being charged, by another DNSP.

- United Energy Distribution: annual averages of \$11.5m for transmission service charges and -\$0.9m for inter-DNSP payments.

Previous Victorian distribution determinations

The Essential Services Commission of Victoria (ESC) was previously responsible for the economic regulation of distribution revenue in Victoria. These ESC determinations allowed DNSPs to factor in all charges for transmission services, inter-DNSP payments and avoided customer TUOS payments to embedded generators into their tariff structures. In its Electricity Distribution Price Review for the regulatory control period 1 January 2006 to 31 December 2010, the ESC specified that the aggregate cost that DNSPs are allowed to recover through their transmission tariffs (the Maximum Transmission Revenue) includes transmission-related and other charges.¹⁵

Current Victorian distribution determination

In June 2010, the AER published its draft decision on the distribution determination for Victoria for the regulatory control period 2011 to 2015.¹⁶ In its draft decision, the AER did not consider that transmission connection charges, inter-DNSP payments and avoided customer TUOS payments should be recovered under clause 6.18.7 of the annual pricing proposal process, as this clause specifically refers to 'recovery of charges for transmission use of system services'.¹⁷ The AER considered that these charges did not fall within the definition of TUOS services under the NER as they are not related to the use of the transmission network.¹⁸ The AER noted Victorian DNSPs intended to submit a Rule change request to the Commission to address this issue. The AER also indicated that it would consider the matter in its final decision, subject to the outcome of the Rule change process.

In October 2010, the AER made its final decision on the Victorian distribution determination.¹⁹ In its final decision, the AER decided to adopt the position in its draft decision that only TUOS costs can be recovered through this particular provision.²⁰ Its reason for adopting its draft position in its final decision was that the AEMC is currently considering this matter in this Rule change process, and it would not be appropriate for the AER to make a decision while the Rule change process was underway.²¹ However, the AER noted that it supported a Rule change on this matter.²²

¹⁵ For instance, see: section 12.3.2 of ESC, Electricity Distribution Price Review 2006-10, Final Decision Volume 1, Statement of Purpose and Reasons, October 2005, pp. 476-477; clause 3.3.2 of ESC, Electricity Distribution Price Review 2006-10, Final Decision Volume 2, Price Determination, October 2005, p. 36; and ESC, Open letter to stakeholders and interested parties, Guidance on calculation of avoided TUOS payments, 19 October 2005.

¹⁶ AER, Victorian Distribution determination 2011-15, Draft decision, June 2010.

¹⁷ Ibid, pp. 64-66.

¹⁸ Ibid.

¹⁹ AER, Victorian Distribution determination 2011-15, Final decision, October 2010.

²⁰ Ibid, p. 49.

²¹ Ibid.

²² Ibid; AER, Submission to first round consultation, 1 October 2010, p. 1.

As part of its final decision for Victorian DNSPs for the forthcoming regulatory control period (1 January 2011 to 31 December 2015), the AER decided to nominate a pass through event for the recovery of costs associated with transmission connection, avoided customer TUOS payments and inter-DNSP payments, which would occur annually on 31 May.²³ In making this decision, the AER noted that “these costs will not be eligible for pass through, should they be recovered under new arrangements arising from the AEMC rule change”.²⁴

1.5 Commencement of Rule making process

On 2 September 2010, the Commission published a notice under section 95 of the National Electricity Law (NEL) advising of its intention to commence the Rule change process and the first round of consultation in respect of the Rule change request. A consultation paper prepared by AEMC staff identifying specific issues and questions for consultation was also published with the Rule change request. Submissions closed on 1 October 2010.

The Commission received ten submissions on the Rule change request in the first round of consultation. They are available on the AEMC website²⁵. A summary of the issues raised in submissions and the Commission’s response to each issue is contained in Appendix A.

1.6 Consultation on draft Rule determination

In accordance with the notice published under section 99 of the NEL, the Commission invites submissions on this draft Rule determination, including a draft Rule, by 21 January 2011.

In accordance with section 101(1a) of the NEL, any person or body may request that the Commission hold a hearing in relation to the draft Rule determination. Any request for a hearing must be made in writing and must be received by the Commission no later than 9 December 2010.

Submissions and requests for a hearing should quote project number “ERC0114” and may be lodged online at www.aemc.gov.au or by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

²³ AER, Victorian Distribution determination 2011-15, Final decision, October 2010, p. 787.

²⁴ Ibid, p. 788.

²⁵ www.aemc.gov.au

2 Draft Rule determination

2.1 Commission's draft determination

In accordance with section 99 of the NEL the Commission has made this draft Rule determination in relation to the Rule proposed by the Proponent.

The Commission has determined it should not make the proposed Rule by the Proponent and to make a proposed more preferable Rule.²⁶

The Commission's reasons for making this draft Rule determination are set out in section 3.1.

A draft of the proposed Rule that the Commission proposes to be made (draft Rule) is attached to, and published with, this draft Rule determination. Its key features are described in section 3.2.

2.2 Commission's considerations

In assessing the Rule change request the Commission considered:

- the Commission's powers under the NEL to make the Rule;
- the Rule change request;
- the fact that there is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles;²⁷
- submissions received during the first round of consultation;
- the Commission's analysis as to the ways in which the draft Rule will, or is likely to, contribute to the National Electricity Objective (NEO);
- the revenue and pricing principles under section 7A of the NEL; and
- the AER's draft and final decisions on the distribution determination for Victorian DNSPs for the regulatory control period 1 January 2011 to 31 December 2015.

²⁶ Under section 91A of the NEL the AEMC may make a Rule that is different (including materially different) from a market initiated proposed Rule (a more preferable Rule) if the AEMC is satisfied that having regard to the issue or issues that were raised by the market initiated proposed Rule (to which the more preferable Rule relates), the more preferable Rule will or is likely to better contribute to the achievement of the National Electricity Objective.

²⁷ Under section 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a Rule.

2.3 Commission's power to make the draft Rule

The Commission is satisfied that the draft Rule falls within the subject matter about which the Commission may make Rules. The draft Rule falls within the matters set out in section 34(1)(a)(iii), as it relates to the regulation of the activities of persons (including Registered Participants) participating in the National Electricity Market (NEM) or involved in the operation of the national electricity system. Further, the draft Rule falls within the matters set out in Schedule 1 to the NEL as it relates to:

- "25 The regulation of revenues earned or that may be earned by owners, controllers or operators of distribution systems from the provision by them of services that are the subject of a distribution determination.
- 26 The regulation of prices (including the tariffs and classes of tariffs) charged or that may be charged by owners, controllers or operators of distribution systems for the provision by them of services that are the subject of a distribution determination.
- 26A Principles to be applied, and procedures to be followed, by the AER in exercising or performing an AER economic regulatory function or power relating to the making of a distribution determination.
- ...
- 26D The economic framework, mechanisms or methodologies to be applied or determined by the AER for the purposes of items 25 and 26 including (without limitation) the economic framework, mechanisms or methodologies to be applied or determined by the AER for the derivation of the revenue (whether maximum allowable revenue or otherwise) or prices to be applied by the AER in making a distribution determination."

These items are relevant to the draft Rule because the draft Rule relates to how DNSPs recover costs under the distribution determination and annual pricing proposal processes.

2.4 Rule making test

Under section 88(1) of the NEL the Commission may only make a Rule if it is satisfied that the Rule will, or is likely to, contribute to the achievement of the NEO.

The NEO is set out in section 7 of the NEL as follows:

"The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity;
- and

(b) the reliability, safety and security of the national electricity system.”

For this Rule change request, the Commission considers that the relevant aspect of the NEO is the efficient investment in, and efficient operation of, electricity services.²⁸

The Commission is satisfied that the draft Rule will, or is likely to, contribute to the achievement of the NEO because of:

- regulatory certainty and administrative efficiency: the draft Rule will clarify how DNSPs can recover costs related to transmission service charges, inter-DNSP payments and avoided customer TUOS payments. This would reduce ambiguity in the NER and provide regulatory certainty and transparency; and
- opportunity to recover efficient costs: if the draft Rule were not made, DNSPs would be uncertain as to how to recover costs which fall outside the existing category of transmission use of system charges, and may be unable to recover these costs. This could lead to inefficient investment in the distribution network and provision of electricity services to consumers.

For these reasons, the Commission considers that the draft Rule will, or is likely to, promote efficient investment in, and efficient operation of, the distribution network, and hence would be in the long term interest of consumers with respect to the price of supplying electricity.

Under section 91(8) of the NEL the Commission may only make a Rule that has effect with respect to an adoptive jurisdiction if it is satisfied that the draft Rule is compatible with the proper performance of Australian Energy Market Operator (AEMO)’s declared network functions. The draft Rule is compatible with AEMO’s declared network functions because it has no impact on the NER relating to AEMO’s declared network functions or transmission network service providers (TNSPs) in general.

2.5 More preferable Rule

Under section 91A of the NEL, the AEMC may make a Rule that is different (including materially different) from a market initiated proposed Rule (a more preferable Rule) if the AEMC is satisfied that, having regard to the issue or issues that were raised by the market initiated proposed Rule (to which the more preferable Rule relates), the more preferable Rule will or is likely to better contribute to the achievement of the NEO.

Having regard to the issues raised by the Rule proposed in the Rule change request, the Commission is satisfied that the draft Rule will, or is likely to, better contribute to the NEO for the following reasons:

- the draft Rule more specifically sets out the charges that may be passed through under the annual pricing proposal process. These charges include transmission

²⁸ Under section 88(2) of the NEL, for the purposes of section 88(1) the AEMC may give such weight to any aspect of the NEO as it considers appropriate in all the circumstances, having regard to any relevant MCE statement of policy principles.

service charges that are subject to the transmission determination process, and inter-DNSP payments that are subject to the distribution determination process of the other DNSPs. This will allow for greater clarity and transparency, and promote administrative efficiency; and

- the draft Rule provides specific transitional provisions for Victorian DNSPs. These provisions take into account that the AER's distribution determination for the Victorian DNSPs occurred as this Rule change process was underway. This will also allow for greater transparency and promote regulatory certainty.

Differences between the draft Rule and the Rule proposed in the Rule change request are set out in section 3.3.

2.6 Other requirements under the NEL

In applying the Rule making test in section 88 of the NEL, the Commission has taken into account the revenue and pricing principles as required under section 88B of the NEL as the Rule change request relates to subject matters under items 25, 26, 26A and 26D of Schedule 1 to the NEL. Based on the Commission's assessment, the Commission considers that the draft Rule ensures that the DNSP would be provided with a reasonable opportunity to recover at least the efficient costs that it incurs in providing direct control network services, which would be consistent with sections 7A(2)(a). Hence, the Commission considers that the draft Rule would be consistent with the revenue and pricing principles.

3 Commission's reasons

The Commission has analysed the Rule change request and assessed the issues arising out of this Rule change request. For the reasons set out below, the Commission has determined that a draft Rule should be made. Its analysis of the proposed Rule by the Proponent is also set out below.

3.1 Assessment

In accordance with the revenue and pricing principles under the NEL, DNSPs should be provided with a reasonable opportunity to recover efficient charges that they incur in providing standard control services. Currently, under the annual pricing proposal process, a specific provision is made for DNSPs to recover charges for 'transmission use of system'.²⁹ However, DNSPs incur other transmission-related charges in providing standard control services. The draft Rule clarifies the provisions under the annual pricing proposal process to ensure that the recovery of a DNSP's appropriate costs can be carried out efficiently and in a way to ensure that there is sufficient regulatory oversight of the cost recovery to protect the interest of consumers.

As the Victorian distribution determination for the 2011-2015 regulatory control period was underway during this Rule change process, the draft Rule also clarifies transitional provisions that would apply for the Victorian DNSPs to ensure that Victorian DNSPs would be able to receive efficient costs.

3.2 Draft Rule

The draft Rule clarifies how transmission service charges, inter-DNSP payments and avoided customer TUOS payments can be recovered. The draft Rule provides for:

- the charges that can be recovered under the annual pricing proposal process:
 - charges for prescribed transmission services, being:
 - a) prescribed exit services;
 - b) prescribed common transmission services; and
 - c) prescribed TUOS services;
 - avoided customer TUOS payments;
 - payments between DNSPs that are charges for prescribed transmission services; and
 - charges for standard control services from other DNSPs it incurs as a Distribution Customer;

²⁹ Clause 6.18.7 of the NER.

- clarification of the “true-up” provision that would apply for clause 6.18.7; and
- transitional provisions:
 - Victorian DNSPs to allow charges for prescribed exit services, prescribed common transmission services, avoided customer TUOS payments and payments between DNSPs incurred in 2011 to be recovered over the remainder of the regulatory control period (2012-2015); and
 - a specific provision for the costs associated with SPI Electricity’s network support agreement with Bairnsdale Power Station. This is to account for the ESC’s previous approval of this network support agreement arrangement.

3.3 Differences between draft Rule and proposed Rule

The Rule proposed by United Energy Distribution sought to recover charges for transmission services, inter-DNSP payments, and avoided customer TUOS payments through the annual pricing proposal process under clause 6.18.7 of the NER. The draft Rule more specifically defines these charges. The draft Rule also includes transitional provisions for Victorian DNSPs as their distribution determination for the forthcoming regulatory control period (2011-2015) was made, and 2011 pricing proposals would be approved, prior to this Rule change being finalised.

3.4 Civil penalties

The draft Rule does not amend any Rules that are currently classified as civil penalty provisions under the National Electricity (South Australia) Regulations. The Commission does not propose to recommend to the MCE that any of the proposed amendments in the draft Rule be classified as civil penalty provisions as the draft Rule relates to the DNSPs’ cost recovery processes under Chapter 6 of the NER. The nature of the provisions under Chapter 6 of the NER provides incentives to ensure that DNSPs adhere to the requirements so that their costs may be efficiently recovered.

4 Commission's assessment approach

This chapter describes the Commission's approach to assessing the Rule change request in accordance with the requirements set out in the NEL (and explained in Chapter 2).

In assessing this Rule change request, the Commission has considered the following factors:

- recovery of efficient costs – ensuring that DNSPs are able to recover efficient costs they incur in providing standard control services;
- regulatory certainty and transparency – ensuring that there is regulatory certainty and transparency to reduce any ambiguity and costs in regulating the recovery of costs; and
- regulatory rigour and administrative efficiency – ensuring that regulatory rigour is balanced with efficiency in administering regulatory obligations.

In its assessment of the Rule change request, the Commission has also considered whether transitional provisions would be required to allow Victorian DNSPs to recover their costs that they were otherwise unable to recover for the 2011 regulatory year.

The Commission has focussed on these factors because they relate to the objectives and principles of the regulatory framework under Chapter 6 of the NER. These objectives and principles include:

- ensuring DNSPs are able to recover efficient costs they incur for providing standard control services;
- providing transparent and timely regulatory processes; and
- increasing regulatory certainty and reducing the administrative burden on DNSPs and the AER.

5 Recovery of charges under the annual pricing proposal

This chapter considers what charges should be included in the annual pricing proposals, in addition to prescribed TUOS services, and how such charges should be defined.

5.1 Proponent's view

In its Rule change request, the Proponent proposed that annual pricing proposals should include “all transmission-related charges, as well as charges for inter-DNSP payments and avoided customer TUOS payments, to the extent that they are inputs to the provision of standard control services” under clause 6.18.7 of the NER.³⁰ In its first round submission, the Proponent further clarified that “all transmission service charges should be recoverable” and includes “charges for prescribed transmission services, negotiated transmission services and unregulated transmission services”.³¹ However, the types of specific charges for transmission services and inter-DNSP payments were not specifically defined by the Proponent. For inter-DNSP payments, the Proponent suggested that if a definition were required then the Independent Pricing and Regulatory Tribunal (IPART)'s definition could be used: “a payment between distributors for use of the distribution system”.³²

5.2 Stakeholder views

Generally, submissions supported the recovery of transmission service charges, avoided customer TUOS payments to embedded generators, and inter-DNSP payments. Submissions considered this to be consistent with the current arrangements in New South Wales, Queensland, Victoria and South Australia. Most of the DNSPs considered that these charges are outside of their control and would therefore be more appropriately addressed in the annual pricing proposal process.³³

With respect to transmission service charges, some submissions clarified that any transmission service charges should be recoverable, regardless of its service classification (prescribed, negotiated or non-regulated) if standard control services are being provided.³⁴

Some submissions suggested that defining inter-DNSP payments would be difficult, given the different approaches taken to payments between DNSPs for use of the

³⁰ United Energy Distribution, Rule change request, 24 June 2010, p.2 of cover letter and p. 5 of request.

³¹ United Energy Distribution, Submission to first round consultation, 8 October 2010, p. 3.

³² Ibid, p. 8.

³³ Ergon Energy, Submission to first round consultation, 1 October 2010, p. 3; EnergyAustralia, Submission to first round consultation, 1 October 2010, pp. 1,3-6; Integral Energy, Submission to first round consultation, 1 October 2010, p. 4; Ibid, pp. 10-12.

³⁴ ENERGEX, Submission to first round consultation, 1 October 2010, p. 1; Ergon Energy, Submission to first round consultation, 1 October 2010, p. 2.

distribution network in New South Wales and Victoria.³⁵ In addition to the different approaches for making inter-DNSP payments, submissions suggested that there was a wide nature of distribution services that may potentially be provided by one DNSP to another DNSP.³⁶ Examples for these different types of inter-DNSP payments are discussed in detail in section 5.3.

With respect to how these charges would be recovered, the AER and EnergyAustralia considered that forecast of costs under the building block determination approach creates a high risk of under or over recovery from consumers.³⁷ Most of the DNSPs considered that these charges were also outside of the DNSPs' control.³⁸ Submissions submitted that the annual pricing proposal approach ensures that DNSPs would recover only their actual charges and provides an assurance to end-users that they would only pay for the actual expenses incurred by DNSPs in respect of the relevant cost components.

5.3 Commission's analysis

Charges recoverable through the annual pricing proposal process

The Commission considers that the Proponent's proposed inclusion of "transmission service charges" under clause 6.18.7 is too open-ended and would create a risk to consumers with respect to pass through of inefficient costs or inappropriate costs. Any charges recovered through the annual pricing proposal process should be those that are outside the control of the DNSPs and/or subject to other regulatory processes, which may be charges that DNSPs would not be able to reasonably forecast at the time the AER makes the DNSPs' distribution determination.

Charges for prescribed exit services, prescribed common transmission services and prescribed TUOS services are subject to the transmission determination process. DNSPs should therefore be able to include the recovery for these charges through their annual pricing proposal process as these charges would have been subject to regulatory rigour under the AER's existing processes.

Similarly, payments between DNSPs that are for prescribed transmission charges or charges determined through a DNSP's distribution determination and annual pricing proposal process would not be required to be subject to further regulatory oversight. For this reason, these types of payments between DNSPs should be recovered under the annual pricing proposal process.

³⁵ EnergyAustralia, Submission to first round consultation, 1 October 2010, pp. 4-5; Ergon Energy, Submission to first round consultation, 1 October 2010, pp. 2-3; United Energy Distribution, Submission to first round consultation, 8 October 2010, pp. 6-8.

³⁶ Ibid.

³⁷ AER, Submission to first round consultation, 1 October 2010, p. 2; Ergon Energy, Submission to first round consultation, 1 October 2010, p. 3; EnergyAustralia, Submission to first round consultation, 1 October 2010, pp. 1,3-6.

³⁸ Ergon Energy, Submission to first round consultation, 1 October 2010, p. 3; EnergyAustralia, Submission to first round consultation, 1 October 2010, pp. 1,3-6.

Avoided customer TUOS payments are specific charges that are determined in accordance with rule 5.5(h) of the NER. Given that the requirements are set out under rule 5.5(h), the recovery of these charges should also be included in the annual pricing proposal process.

The Commission notes that these charges are more specific than the general categories of charges proposed by the Proponent. However, the Commission considers that the benefits for clearly specifying the charges would be clarity and transparency which would promote regulatory certainty and administrative efficiency. Providing sufficient regulatory oversight and clarity in what charges are recoverable protects consumers by ensuring only the appropriate, efficient costs are recovered by DNSPs.

The Commission notes the Proponent's submission relating to the differences in application of inter-DNSP payments between jurisdictions. For instance, the Proponent submitted that a DNSP in New South Wales charges another DNSP for conveying electricity through the conveying DNSP's weighted average price cap (WAPC) on distribution use of service (DUOS) tariffs, which is not incorporated in the transmission arrangements.³⁹ Examples of different types of distribution service payments include Country Energy's charge to ENERGEX for supplying from Country Energy's Terranora substation in contingency circumstances, ENERGEX's network service charge to Ergon Energy for using ENERGEX's network to supply to a small group of customers that Ergon Energy cannot economically supply through its own distribution network, and Ergon Energy's incurred charge to use an unregulated 220 kV network to supply to the Cloncurry township.⁴⁰ The Commission considers that the types of charges it has defined should capture these different types of charges; however submissions are welcomed on this issue.

Other charges

The Commission also considered the option of including a general provision under the annual pricing proposal process to allow DNSPs to recover other charges that are not captured by those specifically defined. These other charges would be charges outside of the DNSP's control but incurred in the provision of standard control services. The AER's distribution determination process would determine the categories of allowable 'other charges' that the DNSP may include. That is, under this option, if a DNSP incurred a cost in the provision of standard control services that was not within its control (and therefore it could not be accurately forecast at the time the distribution determination was made), then the AER would determine this as an 'other cost'. The DNSP would then be able to include this other cost under its annual pricing proposal. However, without being able to specifically define what these other charges might be, this option may be difficult to implement and potentially create ambiguities. This may increase the regulatory burden on the AER and DNSPs and lack sufficient transparency. On balance, the Commission has decided not to pursue this option.

³⁹ United Energy Distribution, Submission to first round consultation, 8 October 2010, p. 7.

⁴⁰ Ibid.

The Commission notes that under the distribution determination process DNSPs can apply for the inclusion of any other costs they incur in providing standard control services. Under certain circumstances, DNSPs could also seek a cost pass through.⁴¹

In the Rule change request, the Proponent raised the issue of recovery of negotiated transmission charges.⁴² However, as discussed above, to ensure that the charges included under the annual pricing proposal process are those that are subject to sufficient regulatory oversight, specific charges relating to prescribed transmission services have been defined. It is noted that in Victoria DNSPs are responsible for planning and directing the augmentation of transmission connection assets, and AEMO is responsible for planning and directing augmentations to the shared network. In cases where the transmission connection investments require investments in the shared network, Victorian stakeholders have raised issues in the past regarding whether these investments should be classified as negotiated or prescribed transmission services.⁴³ The Commission understands that AEMO and the Victorian DNSPs are working together to develop a memorandum of understanding to clarify these joint planning requirements and how these services should be classified. Therefore, the Commission considers that, by the DNSPs and AEMO working together, prescribed transmission services will be properly classified.

“True-up” provision

A consequential change would be required to the “true-up” provision in clause 6.18.7(c) to ensure that the actual charges incurred by DNSPs are recovered. The current true-up provision refers to the reconciliation of cost recovery from the previous regulatory year. However, as the ‘previous regulatory year’ would not have ended at the time a DNSP is preparing its annual pricing proposal, the true-up provision should be clarified. That is, at the time a DNSP prepares its annual pricing proposal for the forthcoming regulatory year (say, “year t”), its actual data for charges incurred and its cost recovery for year t-1 would not yet be available for the full year. Therefore, it would not be able to fully reconcile the difference between the actual charges incurred and recovered for year t-1. In other words, when DNSPs are required to submit their annual pricing proposals to the AER, DNSPs can only provide actual amounts available at the date that it submits its pricing proposal to the AER. The amounts for the remaining period of year t-1 would only be estimated amounts. This means that the actual amounts paid and passed on to customers for year t-1 would not be known until after submitting the pricing proposal for the forthcoming regulatory year. As a result, the final true-up can only occur in year t+1. Therefore, to ensure reconciliation can be carried out effectively, the true-up provision has been amended to account for the new charges that would be recovered under clause 6.18.7.

41 Clause 6.6.1 of the NER.

42 United Energy Distribution, Submission to first round consultation, 8 October 2010, p. 5.

43 For example, see Appendix G of the AEMC’s final report on the Review of National Framework for Electricity Distribution Network Planning and Expansion.

Duplication of recovery of costs

With the amendment to clause 6.18.7 for the cost recovery of specific charges, a consequential change should be made to prevent potential double counting of any costs to be recovered.

5.4 Conclusion

The Commission has concluded that clearly defining the types of charges that can be recovered through the annual pricing proposal process provides certainty and transparency for DNSPs' cost recovery. The draft Rule protects consumers from inefficient cost pass through by clearly defining the allowable charges. These charges would be for:

- prescribed exit services;
- prescribed common transmission services;
- prescribed TUOS services;
- avoided customer TUOS payments;
- payments between DNSPs for use of the distribution system which are charges for prescribed transmission services; and
- charges for standard control services from other DNSPs it incurs as a Distribution Customer.

Specifying these charges would be in the long term interests of consumers as it ensures that only efficient costs are recovered.

6 Transitional provisions

This chapter considers how the transitional provisions that should apply to ensure that DNSPs would not be subject to unnecessary risks.

6.1 Proponent's view

The Proponent did not include transitional provisions in its Rule change request as it had requested for an expedited Rule change process.

Subsequent to this, the Proponent proposed in its submission to the first round of consultation that as the Rule change process will not be completed before the Victorian DNSPs' distribution determinations have been made and annual pricing proposals have been approved, "there [should] be a limited re-opening of the relevant distribution determinations only to the extent necessary to make those determinations consistent with the rule provisions that are amended as a consequence of any rule change".⁴⁴ In particular, the Proponent proposed that the transitional provisions apply to Victorian DNSPs where:⁴⁵

- the AER and relevant Victorian DNSPs would agree on any amendments to the distribution determination and any approved pricing proposals to comply with the Rule made; and
- the validity of previous distribution determinations and pricing proposals would not be affected by the Rule made.

6.2 Stakeholder views

Ergon Energy submitted that previous AER decisions relating to DNSPs, in particular for the DNSPs' current regulatory control periods, should be unaffected by this Rule change.⁴⁶

EnergyAustralia was also of the view that previous AER decisions on pricing proposals with respect to transmission-related payments should remain valid. However, it suggested that these transitional provisions should apply in the AER's next decision on a pricing proposal and should take effect immediately to confirm the validity of the AER's approach to this issue.⁴⁷

For Victoria, the AER recommended that costs recoverable as a consequence of this Rule change should be recovered over the remaining years of the regulatory control

⁴⁴ Ibid, p. 13.

⁴⁵ Ibid.

⁴⁶ Ergon Energy, Submission to first round consultation, 1 October 2010, p. 4.

⁴⁷ EnergyAustralia, Submission to first round consultation, 1 October 2010, pp. 6-7.

period (2012-2015).⁴⁸ It considered that this would minimise the potential price shock for Victorian consumers in 2012.⁴⁹

6.3 Other relevant considerations

The AER's Victorian final distribution determination on a nominated pass through event mechanism

In its final decision on the Victorian distribution determination, the AER nominated a pass through event for the recovery of costs associated with transmission connection charges, avoided customer TUOS payments and inter-DNSP payments, which would occur annually on 31 May. The AER also considered that “allowing recovery of these costs will, or is likely to achieve the NEO by providing regulatory certainty to the Victorian DNSPs which is in the long term interests of consumers” and “also provide regulatory certainty, pending the finalisation of the AEMC's rule change process”.⁵⁰ However the AER acknowledged that “these costs will not be eligible for pass through, should they be recovered under new arrangements arising from the AEMC rule change”.⁵¹

6.4 Commission's analysis

Commencement of the Rule change

The Commission considers that the amending Rules should apply to all DNSPs from the first regulatory year after the commencement of the Rule, if made. This would provide consistency of approach across the NEM and provide for certainty to DNSPs that their previously approved annual pricing proposals will not be affected.

Victorian DNSPs

The Commission agrees with submissions that Victorian DNSPs should be allowed to recover their costs that they were otherwise unable to recover through their annual pricing proposals for the 2011 regulatory year. The Commission also agrees with the AER that in allowing Victorian DNSPs to recover their costs for the 2011 regulatory year in their 2012 pricing proposals, consideration must be given to limiting the potential price shocks to Victorian consumers. Therefore, the transitional provisions should allow the AER to smooth the 2011 costs over the remainder of the regulatory control period (2012-2015).

48 AER, Submission to first round consultation, 1 October 2010, p. 2.

49 Ibid.

50 AER, Victorian Distribution determination 2011-15, Final decision, October 2010, p. 788.

51 Ibid.

Bairnsdale network support agreement

With respect to the network support agreement charges paid by SPI Electricity for the Bairnsdale Power Station, the Commission has allowed for a specific transitional provision for this. This is to account for the ESC's previous approval of this network support agreement arrangement.

At this stage, the Commission is not aware of any other similar network support agreements that should be included in the transitional provisions, but welcomes submissions on this.

"True-up" transitional provision

To ensure the arrangements function properly, the Commission considers that there should be certain minor adjustments to the true-up arrangements as a transitional measure.

6.5 Conclusion

The Commission has concluded that by applying the new provisions from the next regulatory year onwards would likely provide regulatory certainty to DNSPs. Allowing Victorian DNSPs to recover any relevant costs incurred in 2011, which they were otherwise unable to recover, would likely ensure efficient recovery of costs and promote efficient investment in the provision of standard control services.

Abbreviations

AEMC or Commission	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
DNSP	distribution network service provider
DUOS	distribution use of service
ESC	Essential Services Commission of Victoria
IPART	Independent Pricing and Regulatory Tribunal
MCE	Ministerial Council on Energy
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NSP	Network Service Provider
opex	operating expenditure
TNSP	transmission network service provider
TUOS	transmission use of system
WAPC	weighted average price cap

A Summary of issues raised in submissions

Stakeholder	Issue	AEMC Response
General		
All submissions	Supports the intent of the Rule change request, which is to amend the NER, to clarify that DNSPs should be able to recover any legitimate costs for transmission-related services.	Noted.
All submissions	Transmission-related, inter-DNSP and avoided TUOS costs have been recovered through a mechanism similar to clause 6.18.7 of the NER under previous distribution determinations by the ESC and other jurisdictional regulators.	Noted.
Transitional provisions		
AER	For Victoria, recommends the non-TUOS costs to be recovered over the remaining years of the regulatory control period (2012-2015), allowing for the time value of money and to minimise the potential for a price shock for consumers in 2012. These costs would not have been recovered in 2011. (p. 2)	DNSPs should be able to recover their legitimate costs for the 2011 period and would spread this across the remainder of the regulatory control period i.e. 2012 to 2015.
DPI	Strongly encourages that a resolution be reached as soon as possible to provide certainty on the treatment of costs for the 2011-2015 regulatory control period for Victorian DNSPs. (p. 1)	Noted - savings and transitional provisions can be applied to mitigate uncertainty.
DPI	Concerned that if the issue is not resolved	Noted - savings and transitional provisions can be applied to mitigate

Stakeholder	Issue	AEMC Response
	according to the proposed Rule, an alternative approach may be adopted where DNSPs transfer the risk associated with these charges to Victorian electricity consumers who may have to pay more than they would otherwise. (p. 1)	uncertainty.
EnergyAustralia	Previous AER decisions on pricing proposals with respect to transmission-related payments should remain valid. These transitional Rules would apply in the AER's next decision on a pricing proposal. The proposed Rule should take effect immediately to confirm the validity of the AER's approach to this issue. (pp. 6-7)	Previously approved annual pricing proposals would remain valid until the next regulatory year for non-Victorian DNSPs. For Victorian DNSPs, transitional provisions have been provided as their distribution determination was in progress during the Rule change process.
Ergon Energy	The proposed Rule should take effect in the next regulatory control period, given that the Queensland distribution determinations have already commenced and the AER has allowed for the recovery of transmission-related payments. (p. 4)	The proposed Rule would take effect in the next regulatory year.
Victorian DNSPs	Proposes that there be a limited re-opening of the relevant distribution determinations only to the extent necessary to make those determinations consistent with the Rule provisions that are amended as a consequence of any Rule change. The AER and the relevant Victorian DNSPs would agree on any amendments to the distribution determination and any approved pricing proposals required to give effect to the amending Rule made as if the Rule change applied from 30 November 2009. The distribution determination and approved pricing proposals would be reopened only to the extent necessary to give effect to the amending	Transitional provisions have been provided to allow Victorian DNSPs to recover any relevant 2011 costs over the remainder of the regulatory control period (2012-2015) that they were otherwise unable to recover. It is noted that the AER has also allowed for the nominated pass through mechanism of network service charges in the Victorian distribution determination.

Stakeholder	Issue	AEMC Response
	Rule made agreed between the AER and the relevant Victorian DNSP. (pp. 13-14)	
Annual proposal pricing process versus distribution determination		
AER (p. 2), Ergon Energy (p. 3), EnergyAustralia (pp. 1,3-6), Integral Energy (p. 4), Victorian DNSPs (pp. 10-12)	Recovery of transmission-related payments through the annual pricing approval process is appropriate. AER, EnergyAustralia and Victorian DNSPs considers that forecast of costs under the building block determination approach creates a high risk of under or over recovery from consumers. Most of the DNSPs consider that these charges are also outside of the DNSPs' control. The annual pricing approach ensures that DNSPs will recover only their actual charges and provides an assurance to end-users that they will only pay for the actual expenses incurred by DNSPs in respect of the relevant cost components.	The draft Rule clarifies the existing annual pricing proposal process, including clearly specifying the types of charges which can be recovered.
Country Energy	The current New South Wales arrangements should be replicated for all regulatory determinations and would enable appropriate recovery of all transmission-related costs for DNSPs. (p. 1)	As above.
Ergon Energy (pp. 3-4), Victorian DNSPs (p. 9)	The level of transparency in the calculation of charges for transmission and distribution related payments are appropriate. These charges are subject to sufficient regulatory oversight through regulatory processes managed by the AER.	Noted.
Integral Energy (p. 4), AEMO (p. 1)	The Proponent only seeks clarification on the way it passes through these costs in a pricing proposal approved by the AER, rather than whether they	To ensure the costs recovered are efficient costs and in the long term interests of consumers, consideration of the different options to ensure the appropriate level of regulatory oversight for these costs needs to be

Stakeholder	Issue	AEMC Response
	should be included in an AER distribution determination. Does not believe that the broader matters raised in the Consultation Paper are pertinent to objectives of the proposed change.	taken into account, whether this would be achieved through the annual pricing proposal process, distribution determination or another process.
Types of recoverable transmission-related and other charges		
All submissions	The transmission charges to be paid to TNSPs for use of the transmission system, avoided TUOS to be paid to embedded generators, and payments made to other DNSPs for use of their network (inter-DNSP payments) costs should be recoverable.	See section 5.3.
AEMO	Rule change will clarify that costs identified in the joint RIT-T assessments may be recovered by DNSPs where they cover prescribed services. (p. 1)	See above.
ENERGEX (p. 1), Ergon Energy (p. 2), Victorian DNSPs (pp. 3,5-6)	Any transmission service charges regardless of service classification (prescribed, negotiated or non-regulated) incurred in the provision of standard/direct control services should be recoverable.	See above.
EnergyAustralia	Current practice in New South Wales is to enable the DNSP to recover the gross payments made to another distributor. Propose changes to the drafting of the proposed Rule, where the provision should only refer to payments made by a DNSP and remove the reference to 'net' of services provided to other distributors. Otherwise, DNSPs would not be unable to recover their annual	Noted - this issue is resolved by specifying charges for distribution services provided by another DNSP but only to the extent those charges comprise of charges incurred by that DNSP for prescribed transmission services or charges for standard control services, which should be recoverable under the annual pricing proposal process. See section 5.3.

Stakeholder	Issue	AEMC Response
	revenue requirement. (pp. 1,4-5)	
EnergyAustralia	Without an ability to recover inter-DNSP payments, a DNSP may have perverse incentives to build additional network to service the customers directly from its own distribution network. (p. 4)	Noted.
EnergyAustralia	Rules require DNSPs to make avoided customer TUOS payments to embedded generators. Under Clause 5.5 of the NER, a DNSP must pass through to a Connection Applicant the amount for the locational component of prescribed TUOS services that would have been payable by the DNSP to a TNSP had the Connection Applicant not been connected to its distribution network. (p. 5)	Avoided customer TUOS payments should be recoverable through the annual pricing proposal process.
Ergon Energy (pp. 2-3), Victorian DNSPs (pp. 6-8)	Any definition of 'inter-DNSP payments' should cover all aggregate charges paid by one DNSP to another DNSP which is associated with the connection and use of its network. Given the relatively wide nature of distribution services that may potentially be provided by one DNSP to another DNSP, it is preferable not to define inter-DNSP; but if necessary, it could be "a payment between distributors for use of the distribution system".	See above.
Victorian DNSPs	The current definition for "transmission services" under the NER should apply and charges associated with transmission services should be represented in the tariffs submitted as part of the annual pricing proposal process. (p. 4)	See above.

Stakeholder	Issue	AEMC Response
Victorian DNSPs	Non-regulated transmission services are transmission services that are neither prescribed nor negotiated transmission services. Non-regulated transmission services are not regulated under Chapter 6A. Services that are capable of being provided on a genuinely competitive basis are non-regulated transmission services. DNSPs would negotiate a charge for such services directly with the unregulated transmission service provider. (pp. 5-6)	See above.
Victorian DNSPs	There may be a difference of opinion as to whether any augmentation required to the transmission network to facilitate the connection is to be properly characterised as a prescribed transmission service or a negotiated transmission service. However, AEMO has previously stated that negotiated services can be inputs to standard control services. Therefore, it should be recoverable. (p. 6)	See above.
Victorian DNSPs	Given the different approaches taken to payments between DNSPs for use of the distribution network in New South Wales and Victoria, the proposed Rule should be amended to require the pricing proposal to provide for tariffs designed to pass on to customers the charges to be incurred by the DNSP for distribution services provided by other DNSPs. The netting or otherwise of such charges is an administrative process that can be dealt with in the pricing proposal, which is subject to approval by the AER. (p. 8)	See above.
Victorian DNSPs	Under clause 5.6.2(m), where an NSP implements	See above

Stakeholder	Issue	AEMC Response
	<p>a generation option as an alternative to network augmentation, the cost of the network support is to be included in distribution service prices. These are charges for network support agreements which cannot be forecast accurately as part of the distribution determination process. These charges should be recovered through tariffs as part of the annual pricing proposal process. (pp. 4,8-9)</p>	
<p>Victorian DNSPs - initial submission</p>	<p>A significant component of 'other charges' is avoided transmission costs. Two DNSPs currently report charges in this category, Jemena and SP AusNet. SP AusNet makes payments for avoided transmission costs to the owners of the Bairnsdale Power Station, in the context of a network support agreement which was negotiated and finalised in 2001. Avoided transmission charges reflect the opportunity cost of building a transmission link between Morwell and Bairnsdale and are also representative of the capital and operating costs that would have been incurred in the construction and commissioning of a terminal station in Bairnsdale. This network support agreement was approved by the ESC and is expected to remain in place until 2020. (p. 10)</p>	<p>A specific transitional provision has been included to allow for SPI Electricity to recover these costs associated to the Bairnsdale Power Station which was previously approved by the ESC.</p>
<p>Administrative efficiency</p>		
<p>EnergyAustralia (pp. 1,6), Victorian DNSPs (pp. 12-13)</p>	<p>There should be no administrative costs on the AER and DNSPs with the proposed Rule as it only codifies existing practice. However if the Rule change is not made, there would be a significant increase in administrative costs for all DNSPs as they would have to seek recovery of charges by</p>	<p>Noted.</p>

Stakeholder	Issue	AEMC Response
	other means that may create a significant administrative burden.	
Magnitude of costs		
EnergyAustralia	For EnergyAustralia, prescribed exit fees accounted for approximately \$60m of the charges were passed through to TNSPs in 2009-10. It currently pays in the order of \$9m annually as inter-DNSP payments to Integral. In 2009-10, EnergyAustralia paid approximately \$2.2m for avoided TUOS charges. (pp. 2, 3, 5)	Noted.
Victorian DNSPs - initial submission	Transmission-related service charges for Vic DNSPs ranged from \$6.9m to \$18.3m, with an average of \$11.3m between 2006 to 2010. Inter-DNSP payments ranged from -\$4.2m to \$4.7m, with an average of \$0.2m. Avoided customer TUOS payments ranged from \$0 to \$1.1m, with an average of \$0.2m. Avoided transmission payments ranged from \$0 to \$9.3m, with an average of \$1.9m. (p. 9)	Noted.
Level of prescription		
Victorian DNSPs	Given the regulatory practice in relation to the pass through of transmission-related costs may have developed differently in the various NEM jurisdictions, and potentially different approaches, this Rule change should not be overly prescriptive. (p. 9)	Noted - prescription may be necessary where uncertainty may arise that would not promote the NEO.