



## **National Electricity Amendment (Cost Allocation Arrangements for Transmission Services) Rule 2009 No 3**

under the National Electricity Law as applied by:

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

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

A handwritten signature in black ink, appearing to read 'John Tamblyn', is positioned above the printed name.

John Tamblyn  
Chairman  
Australian Energy Market Commission

## **National Electricity Amendment (Cost Allocation Arrangements for Transmission Services) Rule 2009 No 3**

### **1. Title of Rule**

This Rule is the *National Electricity Amendment (Cost Allocation Arrangements for Transmission Services) Rule 2009 No 3*.

### **2. Commencement**

This Rule commences operation on 13 February 2009.

### **3. Amendment of the National Electricity Rules**

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

## Schedule 1      Amendment of National Electricity Rules

(Clause 3)

### [1] Clause 6A.21.2 Development of Transmission Ring-Fencing Guidelines

After clause 6A.21.2(d), insert:

- (e) To avoid doubt, despite paragraphs (a), (b), (c) and (d) above and clause 6A.19.2(6), the *Transmission Ring-Fencing Guidelines* must not include any provisions which deal with or require the allocation of costs as between:

- (1) *prescribed transmission services* and *negotiated transmission services*; or
- (2) *categories of prescribed transmission services*,

in a manner which is inconsistent with the *Cost Allocation Principles*, the *Cost Allocation Guidelines*, the *Pricing Principles for Prescribed Transmission Services* or the *pricing methodology guidelines*.

### [2] Clause 11.6.11 Transition to new Chapter 6A: existing prescribed transmission services

Omit clause 11.6.11, including its heading, and substitute:

**Clause 11.6.11      Clause consequent upon making National Electricity Amendment (Cost Allocation Arrangements for Transmission Services) Rule No 2009 No 3 - Transition to new Chapter 6A: existing prescribed connection services**

#### **Definitions**

- (a) In this clause 11.6.11:

**existing asset** means an asset that as at 9 February 2006:

- (1) was used in connection with a *transmission system* where the value, or a portion of the value, of that asset was included in the regulatory asset base; or
- (2) was committed to be constructed for use in connection with a *transmission system* where the forecast value, or a portion of the

forecast value, of that asset was included in the forecast capital expenditure,

for that *transmission system* under a revenue determination in force as at 9 February 2006.

For the purpose of this definition, an asset is, and is only, to be taken to be committed to be constructed if it satisfied the criteria which a project needed to satisfy to be a “committed project” for the purpose of the *regulatory test* in force as at 9 February 2006.

**replacement asset** means:

- (1) an asset which replaces an existing asset after 9 February 2006; or
- (2) an asset which replaces an asset referred to in this clause 11.6.11(a) after 9 February 2006.

For the purpose of this definition, an asset will be treated as replacing another asset even if it provides an increased or different functionality to the asset it replaces, provided that the increased or different functionality was not requested by the relevant *Transmission Network User*.

**eligible asset** means, subject to clause 11.6.11(d)(3):

- (1) an existing asset which was, immediately before the commencement date, or was or is, when first commissioned after the commencement date, wholly and exclusively used by a *Transmission Network Service Provider* to provide *connection services* to a *Transmission Network User* or a group of *Transmission Network Users* at a *transmission network connection point*; and
- (2) a replacement asset which is wholly and exclusively used after the commencement date by a *Transmission Network Service Provider* to continue providing *connection services* to a *Transmission Network User* or a group of *Transmission Network Users* at a *transmission network connection point*,

and excludes:

- (3) an existing asset or a replacement asset to the extent that it ceases to be used after the commencement date to provide *connection services* to a *Transmission Network User* or a group of *Transmission Network Users* at a *transmission network connection point*; and

- (4) an existing asset or replacement asset that, as at the 2009 commencement date, was wholly and exclusively used by a *Transmission Network Service Provider* to provide connection services to a *Transmission Network User* or a group of *Transmission Network Users* at a *transmission network connection point* but had all of its costs treated as directly attributable to, or incurred in providing, *transmission use of system services* at that date.

**prescribed connection service** means a *connection service* provided by a *Transmission Network Service Provider* to a *Transmission Network User* at a *transmission network connection point* on or after the 2009 commencement date in respect of which the following criteria are satisfied:

- (1) the relevant service is provided by using assets that include eligible assets;
- (2) the whole of the relevant service is being provided under a *connection agreement* which was first entered into before the commencement date (as extended, amended or novated from time to time);
- (3) the *connection agreement* has not at any time after the 2009 commencement date been amended at the request of the *Transmission Network User* for the purposes of altering the relevant service; and
- (4) the relevant service would not otherwise be a *prescribed transmission service* for the purposes of new Chapter 6A but for this clause 11.6.11.

If, at the date a *Transmission Network Service Provider* submits a *Revenue Proposal* after the 2009 commencement date to the *AER* under new Chapter 6A, a *connection service* does not satisfy each of the above criteria, then the *connection service* remains a prescribed connection service until the start of the next *regulatory control period* to which the *Revenue Proposal* relates, from which time it ceases to be a prescribed connection service.

**2009 commencement date** means the date on which the National Electricity Amendment (Cost Allocation Arrangements for Transmission Services) Rule 2009 commences operation.

### **Prescribed transmission services**

- (b) References to *prescribed transmission services* in new Chapter 6A include prescribed connection services and, where a service is a *prescribed transmission service* by virtue of the operation of this clause 11.6.11, that service is taken not to be a *negotiated transmission service*.

### **Interaction with new Chapter 6A**

- (c) For the purposes of new Chapter 6A:
- (1) the costs of the *transmission system* assets that from time to time may be treated as:
    - (i) directly attributable to the provision of a prescribed connection service; or
    - (ii) incurred in providing a prescribed connection service, to a *Transmission Network User* or a group of *Transmission Network Users* at a *transmission network connection point* are limited to the costs of the eligible assets which, from time to time, provide that prescribed connection service;
  - (2) any costs of an existing asset or a replacement asset (or of any portion of an existing asset or a replacement asset) that:
    - (i) is not an eligible asset (other than as a result of clause 11.6.11(d)); and
    - (ii) is used by a *Transmission Network Service Provider* to provide *connection services* to a *Transmission Network User* or a group of *Transmission Network Users* at a *transmission network connection point*, must be treated as costs that are directly attributable to the provision of, or are incurred in providing, *prescribed TUOS services* and, to avoid doubt, the services provided by those assets which would otherwise be *connection services* are taken to be *prescribed TUOS services*; and
  - (3) the *stand-alone amount* for *prescribed TUOS services* is taken to include any portion of the costs referred to in clause 11.6.11(c)(2) that has not been allocated under clause 6A.23.2(d)(1).

**Cessation of prescribed connection services**

- (d) If a *connection service* ceases to be a prescribed connection service at the start of a *regulatory control period* for the relevant *Transmission Network Service Provider*:
- (1) the *connection service* is taken to be a *negotiated transmission service*;
  - (2) despite clause 6A.19.2(7), the costs which were allocated to the prescribed connection service may be reallocated to *negotiated transmission services*;
  - (3) the eligible assets that previously provided the prescribed connection service cease to be eligible assets; and
  - (4) despite clause S6A.2.3, the value of the eligible assets which previously provided the prescribed connection service may be removed from the regulatory asset base of the *Transmission Network Service Provider*.

END OF RULE AS MADE

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