

- (2) an alternative allocation to each component, that is based on a reasonable estimate of future *network* utilisation and the likely need for future *transmission* investment, and that has the objective of providing more efficient locational signals to *Market Participants*, *Intending Participants* and end users.
- (b) Subject to paragraph (d), the *pre-adjusted locational component* is to be adjusted by:
 - (1) subtracting any amount estimated as proceeds from *auctions* or any portion of *settlements residue* allocated to the *directional interconnector* which is not the subject of a *SRD agreement* estimated to be receivable by the *Transmission Network Service Provider* from the *connection points* for each relevant *directional interconnector* as referred to in clause 3.18.4, with that amount including an adjustment calculated in accordance with paragraph (f); and
 - (2) adding or subtracting the amount estimated by the *Co-ordinating Network Service Provider* for the *modified load export charge* receivable by or payable to the *Transmission Network Service Provider* under clause 6A.29A.5, with that amount including an adjustment calculated in accordance with paragraph (f),

(the *adjusted locational component*).
- (c) If the *adjusted locational component* is a positive amount, it is to be allocated to *transmission network connection points* of *Transmission Customers* on the basis of their proportionate use of the relevant *transmission system* assets. The *CRNP methodology* and the *modified CRNP methodology* are two permitted methodologies to estimate the proportionate use of the relevant *transmission system* assets as referred to in paragraph (b).
- (d) If the *adjusted locational component* is a negative amount, then the *adjusted locational component* will be deemed to be zero and the absolute value of that negative amount is to be subtracted from the *pre-adjusted non-locational component* under subparagraph (e)(1).
- (e) The *pre-adjusted non-locational component* is to be adjusted by:
 - (1) subtracting the absolute value of the amount (if any) referred to in paragraph (d);
 - (2) adding or subtracting any amount for *settlements residue* (not being any *auction* amount referred to in subparagraph (b)(1), but including any amount of *settlements residue* due to *intra-regional loss factors*) estimated to be receivable by or payable to the *Transmission Network Service Provider* in accordance with clause 3.6.5(a)(3);
 - (3) adding or subtracting any adjustment arising as a result of the application of clauses 6A.23.4(c) and (d);

- (4) adding or subtracting any amount arising as a result of the application of prudent discounts (if any) under clauses 6A.26.1(d) to (g); and
- (5) adding or subtracting any *over-recovery amount* or *under-recovery amount*, with that amount including an adjustment calculated in accordance with paragraph (f),
- (the *adjusted non-locational component*).
- (f) The adjustment referred to in subparagraphs (b)(1), (b)(2) and (e)(5) must be calculated as the sum of:
- (1) the difference between:
- (i) the estimated amount payable or receivable for a service (or component of a service) referred to in subparagraphs (b)(1), (b)(2) and (e)(5) in year $t - 1$; and
- (ii) the amount actually payable or receivable for that service (or that component of service) in year $t - 1$;
- (2) the difference between:
- (i) the actual amount payable or receivable for that service (or that component of service) in year $t - 2$; and
- (ii) the estimate of the amount payable or receivable for that service (or component of a service) in year $t - 2$ that was used for the purposes of clause (f)(1)(i) in accordance with the *Co-ordinating Network Service Provider's* or the *Transmission Network Service Provider's* (as the case may be) *pricing methodology* that applied in year $t - 1$; and
- (3) grossed up on the basis of the *allowed rate of return* as approved by the *AER* in the relevant *revenue determination* that applies to the *Transmission Network Service Provider* at the time when the further adjustment is to be made.
- (g) For the purposes of paragraph (f):
- "year t " means the *regulatory year* in which adjustments are made under paragraph (f).
- "year $t - 1$ " means the *regulatory year* immediately prior to year t or, where year t is the first year of a *regulatory control period*, the last *regulatory year* of the previous *regulatory control period*.
- "year $t - 2$ " means the *regulatory year* immediately prior to year $t - 1$ or, where year t is the:
- (1) first year of a *regulatory control period*, the

- penultimate *regulatory year* of the previous *regulatory control period*; and
- (2) second year of a *regulatory control period*, the last *regulatory year* of the previous *regulatory control period*.
- (h) The *annual service revenue requirement* for *prescribed common transmission services* is to be adjusted by adding the operating and maintenance costs incurred in the provision of those services (to the extent that those costs were subtracted from the *maximum allowed revenue* in accordance with clause 6A.22.1).
- (i) The whole of the *annual service revenue requirement* for *prescribed entry services* is to be allocated to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*) in accordance with the *attributable connection point cost share* for *prescribed entry services* that are provided by the *Transmission Network Service Provider* at that *connection point*.
- (j) The whole of the *annual service revenue requirement* for *prescribed exit services* is to be allocated to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*) in accordance with the *attributable connection point cost share* for *prescribed exit services* that are provided by the *Transmission Network Service Provider* at that *connection point*.

6A.23.4 Principles for the recovery of the Annual Service Revenue Requirement as prices

The recovery of the *annual service revenue requirement* for a *Transmission Network Service Provider* as prices for *Transmission Customers* (but not *Market Network Service Providers*) for the relevant *regulatory year* to which the *maximum allowed revenue* relates, must be made in accordance with the following principles:

- (a) The *Transmission Network Service Provider* must have separate prices for:
- (1) *prescribed TUOS services – adjusted locational component*;
 - (2) *prescribed TUOS services – adjusted non-locational component*;
 - (3) *prescribed common transmission services*;
 - (4) *prescribed entry services*; and
 - (5) *prescribed exit services*.
- (b) Prices for recovering the *prescribed TUOS services - adjusted locational component*:

- (1) must be based on demand at times of greatest utilisation of the *transmission network* by *Transmission Customers* and for which *network* investment is most likely to be contemplated;
- (2) subject to subparagraph (3) below, must not change by more than 2% on a *load* weighted average basis for the relevant *region* compared with the previous *regulatory year*; and
- (3) are not subject to the limitation in subparagraph (2):
 - (i) to the extent that the change in prices relate to the adjusted *modified load export charge* as referred to in clause 6A.23.3(b)(2); or
 - (ii) if, since the commencement of the previous *regulatory year*:
 - (A) the *load* at the *connection point* has materially altered;
 - (B) in connection with that alteration, the *Transmission Customer* requested a renegotiation of its *connection agreement* with the *Transmission Network Service Provider*; and
 - (C) the *AER* approved the change.
- (c) If, in the case of an increase in prices for recovering the *prescribed TUOS services - adjusted locational component*, the application of paragraph (b)(2) would result in a shortfall for the *prescribed TUOS services - adjusted locational component*, any shortfall may be recovered by increasing the *prescribed TUOS services - non-locational component* in clause 6A.23.3(e)(3).
- (d) If, in the case of a decrease in prices for recovering the *prescribed TUOS services - adjusted locational component*, the application of paragraph (b)(2) would result in a surplus for the *prescribed TUOS services - adjusted locational component*, any surplus must be offset by decreasing the *prescribed TUOS services - non-locational component* in clause 6A.23.3(e)(3).
- (e) Prices for recovering the *prescribed TUOS services - adjusted non-locational component* must be on a *postage-stamp basis*.
- (f) Prices for recovering *prescribed common transmission services* must be on a *postage-stamp basis*.
- (g) Prices for recovering *prescribed entry services* and *prescribed exit services* must be a fixed annual amount.

6A.24 Pricing methodology

6A.24.1 Pricing methodologies generally

- (a) In making a *transmission determination* under Part E of this Chapter 6A, the *AER* must include a decision to approve a proposed *pricing methodology* as part of that *transmission determination*, in accordance with that Part.
- (b) A *pricing methodology* is a methodology, formula, process or approach that, when applied by a *Transmission Network Service Provider* (or a *Co-ordinating Network Service Provider* on behalf of *Transmission Network Service Providers* within a region);
 - (1) allocates the *aggregate annual revenue requirement for prescribed transmission services* provided by the *Transmission Network Service Provider* to each *category of prescribed transmission services*;
 - (2) provides for the manner and sequence of adjustments to the *annual service revenue requirement*;
 - (3) allocates the *annual service revenue requirement* to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*); and
 - (4) determines the structure and recovery of prices for each *category of prescribed transmission services* under 6A.23.4(a).
- (b1) In addition to complying with any other requirements under this Chapter 6A, the *pricing methodology* of a *Transmission Network Service Provider* that is the *Co-ordinating Network Service Provider* for a region must provide for:
 - (1) the allocation of the *AARR* for *prescribed transmission services* provided by *Transmission Network Service Providers* within that region, including any allocation of the *AARR* as agreed between *Transmission Network Service Providers* in accordance with clause 6A.29.3;
 - (2) the calculation of *modified load export charges* consistent with clause 6A.29A.2;
 - (3) the allocation of *modified load export charges*:
 - (i) receivable by other *Co-ordinating Network Service Providers* in *interconnected regions*; and
 - (ii) payable to other *Co-ordinating Network Service Providers* in *interconnected regions*,to each *Transmission Network Service Provider* within its region under clause 6A.29A.5; and

- (4) the allocation of proceeds from *auctions* receivable by or payable to the *Transmission Network Service Provider* in its *region* as referred to in clause 6A.23.3(b)(1).
- (c) The *pricing methodology* proposed by a *Transmission Network Service Provider* and approved by the *AER* in accordance with Part E of this Chapter 6A must:
 - (1) give effect to and be consistent with the *Pricing Principles for Prescribed Transmission Services*; and
 - (2) comply with the requirements of, and contain or be accompanied by such information as is required by, the *pricing methodology guidelines* made for that purpose under rule 6A.25.
- (d) A *Transmission Network Service Provider* must comply with the *pricing methodology* approved by the *AER* as part of a *transmission determination* that applies to that *Transmission Network Service Provider*, and any other applicable requirements in the *Rules*, when the *Transmission Network Service Provider* is setting the prices that may be charged for the provision of *prescribed transmission services*.
- (d1) Where this Chapter provides that a matter is to be determined in accordance with the *pricing methodology* of a *Transmission Network Service Provider* who is the *Co-ordinating Network Service Provider* for a *region*, then no other *pricing methodology* applies in relation to that matter.
- (e) Subject to clause 6A.24.3, a *pricing methodology* applies for the duration of the relevant *regulatory control period*.
- (f) Subject to rule 6A.15, a *pricing methodology* may not be amended during the *regulatory control period*.

6A.24.2 Publication of pricing methodology and transmission network prices

A *Transmission Network Service Provider* must publish:

- (a) a current copy of its *pricing methodology* on its website;
- (b) if that *Transmission Network Service Provider* is also a *Co-ordinating Network Service Provider*, details of all *modified load export charges* to apply for the following *financial year* in accordance with the *pricing methodology guidelines* by 15 March each year; and
- (c) the prices for each of the *categories of prescribed transmission services* to apply for the following *financial year* by 15 May each year.

6A.24.3 Basis for setting prices pending approval of pricing methodology

- (a) This clause 6A.24.3 applies where:

- (1) a *Transmission Network Service Provider* has submitted or resubmitted a proposed *pricing methodology* to the *AER* under clause 6A.10.1, 6A.11.2 or 6A.12.3;
 - (2) the *AER* has not made a final decision approving or amending that methodology under rule 6A.13 by a date that is 3 months prior to the commencement of the first *financial year* that a methodology referred to in subparagraph (1) would, if approved, apply (the **first pricing year**); and
 - (3) the *Transmission Network Service Provider* is reasonably required to commence the process of setting prices for the first pricing year.
- (b) Despite clause 6A.24.1(d), a *Transmission Network Service Provider* must set prices for the first pricing year in accordance with:
- (1) in the case where the *AER* has made a draft decision in which it proposes to approve a proposed *pricing methodology* - that proposed *pricing methodology*;
 - (2) if subparagraph (1) does not apply, the *pricing methodology* most recently approved for that *Transmission Network Service Provider* prior to the proposed *pricing methodology* referred to in subparagraph (a)(1);
 - (3) if there is no previously approved *pricing methodology* for that *Transmission Network Service Provider*, the previous method used by the *Transmission Network Service Provider* to establish prices, however determined, must be used in place of an approved *pricing methodology*.
- (c) Despite the *AER* subsequently approving a *pricing methodology* for a *Transmission Network Service Provider*:
- (1) the approved *pricing methodology* applies to the setting of prices for the year after the first pricing year and for the remainder of the relevant *regulatory control period*; and
 - (2) the *Transmission Network Service Provider* is not required to adjust, reverse or recompense any amounts to *Transmission Network Users* or their customers in connection with charges for services established pursuant to this clause 6A.24.3.

6A.24.4 Basis for setting prices pending approval of maximum allowed revenue

- (a) This clause 6A.24.4 applies where:
- (1) a *Transmission Network Service Provider* has submitted or resubmitted a *Revenue Proposal* under clause 6A.10.1, 6A.11.2 or 6A.12.3;

- (2) the *AER* has not made a final decision on that *Revenue Proposal* under rule 6A.13 by a date that is 5 months prior to the commencement of the first *financial year* that a *Revenue Proposal* referred to in subparagraph (1) would, if approved, apply (the **first pricing year**); and
 - (3) the *Transmission Network Service Provider* is reasonably required to commence the process of setting prices for the first pricing year referred to in subparagraph (2)
- (b) Despite any other applicable requirements in the *Rules*, a *Transmission Network Service Provider* may set prices for the first pricing year referred to in clause 6A.24.4(a)(2) in accordance with:
- (1) in the case where the *AER* has made a draft decision in which it proposes to approve the proposed *maximum allowed revenue* for the first pricing year referred to in clause 6A.24.4(a)(2), that proposed *maximum allowed revenue* amount; or
 - (2) in the case where the *AER* has made a draft decision in which it has refused to approve the proposed *maximum allowed revenue* for the first pricing year referred to in clause 6A.24.4(a)(2), the *maximum allowed revenue* for the first pricing year that the *AER* has proposed for that amount in the draft decision made under clause 6A.12.1.
- (c) For the avoidance of doubt, any *over-recovery amount* or *under-recovery amount* arising from the application of this clause 6A.24.4 is to be treated in accordance with clause 6A.23.3(c)(2)(iii).

6A.25 Pricing methodology guidelines for prescribed transmission services

6A.25.1 Making and amending of pricing methodology guidelines

- (a) The *AER* must, in accordance with the *transmission consultation procedures*, make and *publish* guidelines (the *pricing methodology guidelines*) relating to the preparation by a *Transmission Network Service Provider* of a proposed *pricing methodology*.
- (b) The *pricing methodology guidelines* must give effect to, and be consistent with, the *Pricing Principles for Prescribed Transmission Services*.
- (c) The *AER* must *publish* the first *pricing methodology guidelines* by 31 October 2007 and there must be *pricing methodology guidelines* in force at all times after that date.
- (d) In the event of an inconsistency between the *Rules* and the *pricing methodology guidelines*, the *Rules* prevail to the extent of that inconsistency.

- (e) The *pricing methodology guidelines* are binding on the *AER* and each *Transmission Network Service Provider* to which they apply.

6A.25.2 Contents of pricing methodology guidelines

The *pricing methodology guidelines* must specify or clarify:

- (a) the information that is to accompany a proposed *pricing methodology* being information that is necessary to allow the *AER* to form a view as to whether the proposed methodology is consistent with and gives effect to, the *Pricing Principles for Prescribed Transmission Services* and the requirements of this Part J;
- (b) permitted pricing structures for recovery of the locational component of providing *prescribed TUOS services* under clause 6A.23.4(e), having regard to:
 - (1) the desirability of consistent pricing structures across the *NEM*; and
 - (2) the role of pricing structures in signaling efficient investment decisions and *network* utilisation decisions;
- (c) in relation to prices set on a *postage-stamp basis*, permissible postage stamping structures for the prices for *prescribed common transmission services* and the recovery of the adjusted non-locational component of providing *prescribed TUOS services* having regard to:
 - (1) the desirability of a consistent approach across the *NEM*, particularly for *Transmission Customers* that have operations in multiple *participating jurisdictions*; and
 - (2) the desirability of signaling to actual and potential *Transmission Network Users* efficient investment decisions and *network* utilisation decisions;
- (d) the types of *transmission system assets* that are directly attributable to each *category of prescribed transmission services*, having regard to the desirability of consistency of cost allocation across the *NEM*;
- (e) those parts (if any) of a proposed *pricing methodology* or the information accompanying it, that will not be publicly disclosed without the consent of the *Transmission Network Service Provider*;
- (f) those parts (if any) of a proposed *pricing methodology* or the information accompanying it, that will not be publicly disclosed without the consent of the *Transmission Network Service Provider*; and
- (g) the matters which *Transmission Network Service Providers* that are also *Co-ordinating Network Service Providers* must include in their *pricing methodologies* in accordance with clause 6A.24.1(b1) for:

- (1) the allocation of the *AARR* for *prescribed transmission services* provided by *Transmission Network Service Providers* within that *region*, including any allocation of the *AARR* as agreed between *Transmission Network Service Providers* in accordance with clause 6A.29.3;
- (2) the calculation of *modified load export charges* consistent with clause 6A.29A.2; and
- (3) the allocation of *modified load export charges*:
 - (i) receivable by other *Co-ordinating Network Service Providers* in *interconnected regions*; and
 - (ii) payable to other *Co-ordinating Network Service Providers* in *interconnected regions*,to each *Transmission Network Service Provider* within its *region* under clause 6A.29A.5.

6A.26 Prudent discounts

6A.26.1 Agreements for prudent discounts for prescribed transmission services

- (a) Subject to this clause 6A.26.1, the prices for *prescribed transmission services* that are determined in accordance with the *pricing methodology* of a *Transmission Network Service Provider*, are the maximum prices that a *Transmission Network Service Provider* is entitled to charge for the provision of the relevant *prescribed transmission services*.
- (b) A *Transmission Network Service Provider* may, but is not required to, agree with a *Transmission Customer* (the **beneficiary**) to charge lower prices for *prescribed TUOS services* and *prescribed common transmission services* provided to that beneficiary, than the prices determined in accordance with the provider's *pricing methodology*.
- (c) Where a *Transmission Customer* requests a *Transmission Network Service Provider* to charge that user reduced charges for *prescribed TUOS services* or *prescribed common transmission services* (**reduced charges**), the *Transmission Network Service Provider* must negotiate in good faith;
- (d) Subject to this clause 6A.26.1, a *Transmission Network Service Provider* who agrees to charge a beneficiary reduced charges may recover the difference between the revenue that would be recovered by the application of the maximum prices referred to in paragraph (a) and the reduced charges (the **discount amount**) from *Transmission Customers* through charges for either or both:
 - (1) the *adjusted non-locational component*; and

- (2) *prescribed common transmission services*,
in accordance with the *Co-ordinating Network Service Provider's* or *Transmission Network Service Provider's pricing methodology* (as the case may be).
- (e) A *Transmission Network Service Provider* may recover up to 70 per cent of a discount amount through the charges referred to in subparagraphs (d)(1) and (2).
- (f) A *Transmission Network Service Provider* may recover greater than 70 percent of the discount amount through either or both the charges referred to in subparagraphs (d)(1) and (2) if;
- (1) the discount amount is no larger than that necessary to prevent the charges referred to in subparagraphs (d)(1) and (2) altering the beneficiary's behaviour to the point of adopting the most attractive alternative in place of the course of action the beneficiary would have adopted if no such charges were levied; and
 - (2) the giving of the discount would not place other customers of the *Transmission Network Service Provider* in a worse position than if the discount was not offered.
- (g) Where for any reason the *Transmission Network Service Provider* does not recover the proportion of a discount amount that the *Transmission Network Service Provider* is entitled to recover from other *Transmission Customers* under this clause in the *financial year* in which the reduced charges apply, the *Transmission Network Service Provider* may recover the difference through charges to *Transmission Customers* for the *adjusted non-locational component* of *prescribed TUOS services* to apply in a subsequent *financial year*, in accordance with the *Transmission Network Service Provider's pricing methodology*.

6A.26.2 Application to AER for approval of proposed prudent discount amounts

- (a) This clause applies where a *Transmission Network Service Provider* has agreed or proposes to agree, to reduced charges in accordance with clause 6A.26.1 and seeks to recover greater than 70 per cent of the discount amount through the charges referred to in clause 6A.26.1(d) to its other *Transmission Customers* (the **proposed recovery amount**).
- (b) A *Transmission Network Service Provider* may apply to the AER for approval to recover the proposed recovery amount.
- (c) A *Transmission Network Service Provider* seeking approval must submit to the AER a written application in accordance with any relevant requirements of the *information guidelines* in force under clause 6A.17.2.

- (d) If the *AER* determines that the requirements of clause 6A.26.1(f) are satisfied, the *AER* may approve the recovery of the proposed recovery amount, taking into account the matters referred to in paragraph (i).
- (e) If the *AER* determines that the requirements of clause 6A.26.1(f) are not satisfied, the *AER* may refuse the recovery of the proposed recovery amount, and must set out its reasons.
- (f) If the *AER* does not make a decision referred to in paragraph (d) or (e) within 60 *business days* from the date it receives the *Transmission Network Service Provider's* application and accompanying evidence under paragraph (c), then, on the expiry of that period, the *AER* is taken to have approved the recovery of the proposed recovery amount.
- (g) A *Transmission Network Service Provider* must provide the *AER* with such information as the *AER* requires for the purpose of making a determination under paragraphs (d) or (e) within the time specified by the *AER* in a notice provided to the provider by the *AER* for that purpose.

Consultation

- (h) Before making a determination under paragraph (d) or (e), the *AER* may consult with the relevant *Transmission Network Service Provider* and such other persons as the *AER* considers appropriate, on any matters arising out of an application to recover a proposed recovery amount as the *AER* considers appropriate.

Relevant factors

- (i) In making a determination under paragraph (d) or (e), the *AER* must take into account:
 - (1) the matters and proposals set out in the application referred to in paragraph (c);
 - (2) the requirements of clause 6A.26.1(f); and
 - (3) any other factors the *AER* considers relevant.
- (j) If the *AER* approves or is taken to approve recovery of the proposed recovery amount under paragraph (d) or (f), that approval is valid so long as the agreement between the *Transmission Network Service Provider* and the *Transmission Customer* remains in effect and its terms are not renegotiated, except where the *Transmission Network Service Provider* has provided information in its application that was materially false or misleading.
- (k) Where a *Transmission Network Service Provider* agrees to charge reduced charges in accordance with clause 6A.26.1, and no approval is granted under this clause 6A.26.2, the *AER* must review the discount amount in the course of making a subsequent *revenue determination* for that provider, and if the recovery of any part of the discount amount does not comply with clause 6A.26.1(f), the *AER* may adjust (with interest) the *total revenue cap*

of the *Transmission Network Service Provider* for the following *regulatory control period* in respect of the total amount that has been earned by the *Transmission Network Service Provider* and does not satisfy the requirements under the *Rules*.

6A.27 Billing Process

This rule describes the manner in which *Transmission Network Users* are billed for *prescribed transmission services* and how payments for those services are made.

6A.27.1 Billing for prescribed transmission services

- (a) For each *connection point* on its *transmission networks*, a *Transmission Network Service Provider* must calculate the *transmission service charges* payable by *Transmission Network Users* in accordance with the *transmission service prices* published under clause 6A.24.2.
- (b) A *Transmission Network Service Provider* must issue a bill to *Transmission Network Users* for *prescribed transmission services*.
- (c) Where the billing for a particular *financial year* is based on quantities which are undefined until after the commencement of the *financial year*, charges must be estimated from the previous year's billing quantities with a reconciliation to be made when the actual billing quantities are known and, where the previous year's billing quantities are unavailable or no longer suitable, nominated quantities may be used as agreed between the parties.
- (d) Where charges are to be determined for *prescribed transmission services* from *metering data*, these charges must be based on kW or kWh obtained from the *metering data* managed by *AEMO*.

6A.27.1A Billing of modified load export charges

This rule does not apply to the process of calculating and billing *modified load export charges*, which is regulated under rule 6A.29A.

6A.27.2 Minimum information to be provided in network service bills

- (a) The following is the minimum information that must be provided with a bill for a *connection point* issued by a *Transmission Network Service Provider* directly to a *Transmission Network User*:
 - (1) the *connection point* identifier;
 - (2) the dates on which the *billing period* starts and ends;
 - (3) the identifier of the published *transmission service price* from which the *connection point* charges are calculated; and

- (4) measured quantities, billed quantities, agreed quantities, prices and amounts charged for each component of the total *transmission service* account.
- (b) In addition to the minimum information requirements set out in paragraph (a), a bill for a *connection point* issued by a *Transmission Network Service Provider* directly to a *Transmission Customer* must separately identify, for the total amount levied in relation to *prescribed TUOS services* in the *billing period* for that *connection point* each of the following components:
 - (1) charges for the *adjusted locational component* and the *adjusted non-locational component* of *prescribed TUOS services*; and
 - (2) charges for *prescribed common transmission services*.
- (c) In addition to the minimum information requirements in paragraph (a), a bill for a *connection point* issued by a *Transmission Network Service Provider* directly to a *Distribution Network Service Provider* must separately identify the component of *designated pricing proposal services*, if any, to which each amount charged in the bill relates.

6A.27.3 Obligation to pay charges for prescribed transmission services

A *Transmission Network User* must pay charges for *prescribed transmission services* properly charged to it and billed in accordance with the *pricing methodology* of the relevant *Transmission Network Service Provider* by the date specified in the bill.

6A.27.4 Payments between Transmission Network Service Providers in the same region

- (a) A *Transmission Network Service Provider* must pay other *Transmission Network Service Providers* within the same *region* an amount of revenue equal to that which it is estimated it will collect during the following *regulatory year* or *financial year* (as the case may be), as charges for *prescribed transmission services* for the use of *transmission systems* owned by those other *Transmission Network Service Providers*.
- (b) The amount of any financial transfer under paragraph (a) must be determined by the relevant *Co-ordinating Network Service Provider* and paid in equal monthly instalments.
- (c) **[Deleted]**

6A.27.5 Calculation of financial transfers between Transmission Network Service Providers in the same region

- (a) If the *prescribed transmission use of system* revenue allocation and price and charge calculation under the *pricing methodology* of a *Transmission Network Service Provider* result in the allocation of some of a *Transmission Network Service Provider's* revenue to a *Transmission Customer* in relation

to a *connection point* with another *Network Service Provider* in the same *region* then financial transfers between *Network Service Providers* must be made in accordance with paragraph (b).

- (b) Financial transfers referred to in paragraph (a) must be determined by the *Co-ordinating Network Service Provider* for the relevant *region* as a fixed annual amount for the next *financial year*. The *survey period* for this allocation is the most recent full *financial year* for which operating data is available.

6A.28 Prudential Requirements

This rule sets out the arrangements by which *Transmission Network Service Providers* may minimise financial risks associated with investment in *transmission network* assets.

6A.28.1 Prudential Requirements for prescribed transmission services

A *Transmission Network Service Provider* may require a *Transmission Network User* to establish prudential requirements for either or both *connection services* and *transmission use of system services*. These prudential requirements may take the form of, but need not be limited to, capital contributions, pre-payments or financial guarantees.

6A.28.2 Capital contribution or prepayment for a specific asset

Where the *Transmission Network Service Provider* is required to construct specific assets to provide *connection service* or *transmission use of system service* to a *Transmission Network User*, the provider may require that user to make a capital contribution or prepayment for all or part of the cost of the new assets installed and any contribution made must be taken into account in the determination of *transmission service* prices applicable to that user.

6A.28.3 Treatment of past capital contributions

- (a) The treatment of capital contributions for *connection service* and/or *transmission use of system service* made prior to 13 December 1998, by *Transmission Network Users* must be in accordance with any contractual arrangements with the relevant *Transmission Network Service Providers* applicable at that time.
- (b) Where contractual arrangements referred to in paragraph (a) are not in place, the treatment of past capital contributions for *connection service* and/or *transmission use of system service* must be negotiated by the *Transmission Network Service Provider* and the *Transmission Network User* and, if a dispute arises and cannot be resolved, the matter must be referred to the *AER*.

6A.29 Multiple Transmission Network Service Providers

6A.29.1 Multiple Transmission Network Service Providers within a region

- (a) If *prescribed transmission services* within a *region* are provided by more than one *Transmission Network Service Provider*, the appointing *Transmission Network Service Providers* (the **appointing provider**) within that *region* must appoint a *Co-ordinating Network Service Provider* for that *region*. The *Co-ordinating Network Service Provider* is responsible for:
- (1) the allocation of all relevant *AARR* within that *region*, including any allocation of the *AARR* as agreed between *Transmission Network Service Providers* in accordance with clause 6A.29.3;
 - (2) the calculation of *modified load export charges* and any adjustments to the charges in accordance with the *Rules* payable by *Co-ordinating Network Service Providers* in *interconnected regions*; and
 - (3) the allocation of *modified load export charges* and any adjustments to the charges in accordance with the *Rules* payable or receivable to or from *Co-ordinating Network Service Providers* in *interconnected regions* to each *Transmission Network Service Provider* within its *region*.
- (b) Each *Transmission Network Service Provider* must determine the *AARR* for its own *transmission system* assets which are used to provide *prescribed transmission services* within each *region*.
- (c) To make the allocation referred to in paragraph (a), the *Co-ordinating Network Service Provider* must use the total *AARR* of all *Transmission Network Service Providers* providing *prescribed transmission services* within the relevant *region*.
- (d) The *Co-ordinating Network Service Provider* is responsible for making the allocation referred to in paragraph (a), in accordance with its *pricing methodology*, in relation to *Transmission Network Users' and Transmission Network Service Providers' transmission network connection points* located within the *region* and an appointing provider is not required to address the matters specified in rule 6A.24.1(b)(1) when preparing its *pricing methodology*.
- (e) Each *Transmission Network Service Provider* within a *region* must promptly provide information reasonably requested by the *Co-ordinating Network Service Provider* for that *region* to enable the *Co-ordinating Network Service Provider* to properly perform its functions under this Part [14](#).
- (f) The *Co-ordinating Network Service Provider* must provide sufficient information to an appointing *Transmission Network Service Provider* to enable that provider:

- (1) to understand the basis for the allocation referred to in paragraphs (a) and (d); and
- (2) to prepare its *pricing methodology* and replicate the pricing allocation.

6A.29.2 Single Transmission Network Service Provider within a region

If *prescribed transmission services* within a *region* are provided by only one *Transmission Network Service Provider*, that *Transmission Network Service Provider* is responsible for allocation of the AARR within that *region* and must liaise with the *Transmission Network Service Provider* similarly responsible in any other *interconnected regions*.

6A.29.3 Allocation over several regions

- (a) *Transmission Network Service Providers* responsible for the allocation of the AARR within a *region* may agree with one or more other such providers for *interconnected regions* to undertake the allocations of AARR as one allocation over all of those *regions*.
- (b) To make an allocation over several *regions*, the sum of the AARR of all *Transmission Network Service Providers* providing *prescribed transmission services* within those *regions* must be used.

6A.29A Modified load export charges

This rule sets out the arrangements for the calculation, invoicing and payment of *modified load export charges*.

6A.29A.1 Single Transmission Network Service Provider in a Region

For the purposes of this rule if *prescribed transmission services* within a *region* are provided by only one *Transmission Network Service Provider* then references in this rule to a *Co-ordinating Network Service Provider* is to be read as a reference to that *Transmission Network Service Provider*.

6A.29A.2 Calculation of the modified load export charges

- (a) A *Co-ordinating Network Service Provider* for a *region* must calculate the *modified load export charge* payable to it by the *Co-ordinating Network Service Provider* for each *interconnected region* in respect of the following *financial year*, by:
 - (1) calculating the amount that is 50% of the *annual service revenue requirement* for *prescribed TUOS services* for that *financial year* in the calculating *Co-ordinating Network Service Provider's region*;
 - (2) adjusting that amount by subtracting any amount estimated to be receivable by *Transmission Network Service Providers* in the calculating *Co-ordinating Network Service Provider's region* as

proceeds from *auctions* or any portion of *settlements residue* (as referred to in clause 6A.23.3(b)(1));

- (3) allocating the adjusted amount calculated under subparagraph (2) to the *connection points* of *Transmission Customers* in its *region* and to *Transmission Network Services Providers interconnected* to its *region* (as if those *connection points* were also *connection points* of *Transmission Customers*) on the basis of their proportionate use of *transmission system* assets. The *MLEC CRNP Methodology* is the only permitted methodology for estimating the proportionate use of the relevant *transmission system* assets for the purposes of this paragraph (3); and
 - (4) determining the *modified load export charge* to be recovered from the relevant *Co-ordinating Network Service Provider* as the amount allocated in accordance with subparagraph (3), to the *connection points* of *Transmission Network Services Providers in interconnected regions* that is based on demand at times of greatest utilisation of the *transmission network* and for which *network* investment is most likely to be contemplated.
- (b) The *MLEC CRNP methodology* is the only permitted methodology for estimating the proportionate use of the relevant *transmission system* assets as referred to in subparagraph (a)(1).

6A.29A.3 Calculation of adjustments to the modified load export charge

A *Co-ordinating Network Service Provider* for a *region* must calculate adjustments to the *modified load export charge* amount payable to it by the *Co-ordinating Network Service Provider* for each *interconnected region* in respect of the following *financial year*, in accordance with clause 6A.23.3.

6A.29A.4 Billing the modified load export charge

- (a) The *Co-ordinating Network Service Provider* for a *region* must issue a monthly bill in accordance with paragraph (b) to the *Co-ordinating Network Service Provider* for each *interconnected region* for the *modified load export charge* (including any adjustment made to it in accordance with the *Rules*) payable to it by that *Co-ordinating Network Service Provider*.
- (b) The bill referred to in paragraph (a) must:
 - (1) set out the total annual estimated *modified load export charge* payable by the *Co-ordinating Network Service Provider*;
 - (2) contain reasonable details of the calculation of the *modified load export charge*; and
 - (3) be issued as equal monthly instalments.

- (c) A *Co-ordinating Network Service Provider* must promptly pay any amounts properly calculated as owing by it and billed under paragraph (b).
- (d) Subject to paragraph (b), *Co-ordinating Network Service Providers* may agree to such terms and conditions for billing as they consider appropriate.
- (e) Each *Transmission Network Service Provider* whose *transmission network* is located in the *region* of the *Co-ordinating Network Service Provider* referred to in clause 6A.29A.2 must provide that *Co-ordinating Network Service Provider* with such information as the *Co-ordinating Network Service Provider* reasonably requires to estimate *modified load export charges*.

6A.29A.5 Allocation and billing process where multiple Transmission Network Service Providers in a Region

Where there is more than one *Transmission Network Service Provider* in a *region*:

- (a) the *Co-ordinating Network Service Provider* for that *region* must allocate any amounts receivable by or payable to it for *modified load export charges* under this rule to each *Transmission Network Service Provider* in its *region* in accordance with its *pricing methodology*;
- (b) the *Co-ordinating Network Service Provider* must issue a bill to each *Transmission Network Service Provider* in its *region* the net amount of *modified load export charges* allocated as payable or receivable by the *Co-ordinating Network Service Provider* under paragraph (a) including reasonable details of the calculation of those amounts;
- (c) a *Transmission Network Service Provider* must pay any amounts properly charged and billed to it by a *Co-ordinating Network Service Provider* under paragraph (b); and
- (d) the *Co-ordinating Network Service Provider* must pay any amounts properly allocated as payable to a *Transmission Network Service Provider* under paragraph (b).

[Drafting note – Part K of this Chapter 6 moved to Rule 5.5 in Chapter 5]

Part K ~~[Deleted]~~ Commercial arbitration for disputes about terms and conditions of access for prescribed and negotiated transmission services

6A.30 ~~Commercial arbitration for prescribed and negotiated transmission services~~

~~This Part K applies to any dispute which may arise between a *Transmission Network Service Provider* (a **provider**) and a *Service Applicant* (an **applicant**) as to terms and conditions of access as referred to in clause 6A.1.2, for the provision of *prescribed transmission services* or for the provision of *negotiated transmission services* (a *transmission services access dispute*).~~

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6A.30.1 Notification of transmission services dispute

- (a) ~~A provider or an applicant may notify the AER in writing that a *transmission services access dispute* exists.~~
- (b) ~~On receiving a notification under paragraph (a), the AER must give notice in writing of the dispute to the other party to the dispute.~~
- (c) ~~A provider or an applicant who has given notice of a dispute under paragraph (a) may withdraw notification of the dispute at any time by written notice to the AER and the other party to the dispute.~~
- (d) ~~If the notification of a dispute is withdrawn under paragraph (c), it is taken for the purposes of this clause 6A.30.1 to never have been given.~~

6A.30.2 Appointment of commercial arbitrator

- (a) ~~On receiving a notification under clause 6A.30.1(a), the AER must request the provider and the applicant, by a time specified by the AER, to nominate to the AER two persons each for appointment as the *commercial arbitrator* to determine the *transmission services access dispute*. The provider and applicant may make the nominations.~~
- (b) ~~As soon as practicable after the expiry of the time specified by the AER under paragraph (a), the AER must appoint:~~
 - (1) ~~one of the persons (if any) nominated to the AER by the provider or the applicant under paragraph (a); or~~
 - (2) ~~if neither the provider or the applicant nominate any such person within the time specified by the AER under paragraph (a) or all of the persons so nominated do not qualify for appointment under paragraph (d) or are not eligible for appointment under paragraph (e), a person determined by the AER,~~

~~as the *commercial arbitrator* to determine the dispute, and must refer the dispute to that *commercial arbitrator*.~~
- (c) ~~A decision of the AER as to the appointment of the *commercial arbitrator* is final and binding on the provider and the applicant.~~
- (d) ~~The AER may only appoint a person as the *commercial arbitrator* if that person is experienced or trained in dispute resolution techniques.~~
- (e) ~~A person is not eligible for appointment as the *commercial arbitrator* if that person has any interest that may conflict with, or which may be seen to conflict with, the impartial resolution of the dispute. Where the person who is appointed as the *commercial arbitrator* becomes aware of such conflict after that person commences the hearing of the dispute, the person must advise the parties to that effect.~~
- (f) ~~Where:~~

~~(1) the provider or the applicant believes that the person appointed as the commercial arbitrator has an interest which may conflict with the impartial resolution of the dispute; or~~

~~(2) the person appointed as the commercial arbitrator discloses the existence of such an interest;~~

~~the person must not continue to hear and determine the dispute, except with the written consent of the provider and the applicant.~~

6A.30.3 Procedures of commercial arbitrator

~~(a) The commercial arbitrator may give to the parties such directions as it considers necessary:~~

~~(1) for the proper conduct of the proceedings, including in relation to the provision of documents and information to the other party and the making of oral and written submissions;~~

~~(2) relating to the use and disclosure of information obtained from the other party to the dispute (including a direction to keep information confidential); and~~

~~(3) in relation to the participation (if any) of legal representatives of the parties in the proceedings.~~

~~(b) The commercial arbitrator must observe the rules of procedural fairness, but is not bound by the rules of evidence and may inform itself in any manner it thinks fit.~~

6A.30.4 Powers of commercial arbitrator in determining transmission services access disputes

~~(a) In determining a transmission services access dispute in relation to the terms and conditions of access for the provision of prescribed transmission services the commercial arbitrator must apply:~~

~~(1) in relation to price, the pricing methodology of the relevant Transmission Network Service Provider approved by the AER under Part E and Part J of this Chapter 6A of the Rules;~~

~~(2) in relation to other terms and conditions, Chapters 4, 5 and this Chapter 6A of the Rules; and~~

~~(3) in relation to all terms and conditions of access (including price) the decision of AEMO or the AER where those decisions relate to those terms and conditions and are made under Chapters 4, 5 and this Chapter 6A of the Rules.~~

~~(b) In determining a transmission services access dispute in relation to the terms and conditions of access for the provision of a negotiated transmission service the commercial arbitrator must apply:~~

- ~~(1) in relation to price (including access charges) for the provision of that service by the provider, the *Negotiated Transmission Service Criteria* that are applicable to that dispute, in accordance with the relevant *transmission determination*;~~
- ~~(2) in relation to other terms and conditions, the *Negotiated Transmission Service Criteria* that are applicable to that dispute, and Chapters 4, 5 and this Chapter 6A of the *Rules*; and~~
- ~~(3) in relation to all *terms and conditions of access* (including price) the decision of *AEMO* or the *AER* where those decisions relate to those terms and conditions and are made under Chapters 4, 5 and this Chapter 6A of the *Rules*.~~

~~and must have regard:~~

- ~~(4) to the relevant *negotiating framework* prepared by the *Transmission Network Service Provider* under clause 6A.9.5 and approved by the *AER*.~~
- ~~(c) In determining a *transmission services access dispute* in relation to the *terms and conditions of access* for the provision of *negotiated transmission services* a *commercial arbitrator* may:~~
 - ~~(1) have regard to other matters which the *commercial arbitrator* considers relevant.~~
 - ~~(2) hear evidence or receive submissions from *AEMO* and *Transmission Network Users* notified and consulted under the *Transmission Network Service Provider's negotiating framework*.~~
- ~~(d) In determining a *transmission services access dispute* in relation to the *terms and conditions of access* for the provision of *prescribed transmission services* a *commercial arbitrator* may:~~
 - ~~(1) have regard to other matters which the *commercial arbitrator* considers relevant.~~
 - ~~(2) hear evidence or receive submissions from *AEMO* in relation to *power system security* matters and from *Transmission Network Users* who may be adversely affected.~~

6A.30.5—Determination of transmission services access disputes

- ~~(a) Subject to paragraph (c), the *commercial arbitrator* must determine the dispute as quickly as possible, and in any case it must do so within 30 *business days* after the dispute is referred to the *commercial arbitrator*.~~
- ~~(b) The determination of the *commercial arbitrator*:~~

- ~~(1) may direct the provision of *prescribed transmission services* and *negotiated transmission services* in accordance with Chapters 4, 5 and this Chapter 6A of the Rules;~~
- ~~(2) may specify, for a *negotiated transmission service*, a price or charge in such a way that it is or is to be adjusted over time.~~

Note:

~~An adjustment as referred to in subparagraph (2) may, for example, be appropriate where the cost of providing the *negotiated transmission service* to a *Service Applicant* changes because the assets used to provide that service are subsequently used to provide a service to another person and the payment for the service by that other person enables the *Transmission Network Service Provider* to recoup some of those costs from that other person.~~

- ~~(c) The *commercial arbitrator* may extend the period referred to in paragraph (a) if the provider and the applicant so agree in writing.~~
- ~~(d) The *commercial arbitrator* may at any time terminate the proceedings without making a decision if it considers that:
 - ~~(1) the dispute is misconceived or lacking in substance;~~
 - ~~(2) the notification of the dispute to the *AER* under clause 6A.30.1(a) was vexatious; or~~
 - ~~(3) the party who notified the dispute to the *AER* under clause 6A.30.1(a) has not negotiated in good faith or has notified the dispute prematurely or unreasonably.~~~~
- ~~(e) The *commercial arbitrator* must terminate the proceedings without making a decision if at any time, whether on application by the provider or the applicant or otherwise, the arbitrator determines that the *transmission service* is capable of being provided on a genuinely competitive basis by a person other than the *Transmission Network Service Provider* or an entity which is associated with the provider.~~

6A.30.6—Costs of dispute

- ~~(a) The fees and costs of the *commercial arbitrator* must be borne equally by the provider and the applicant unless:
 - ~~(1) paragraph (b) applies; or~~
 - ~~(2) otherwise agreed between the provider and the applicant.~~~~
- ~~(b) The costs of determining the dispute (including the legal costs of either of the parties) may be allocated by the *commercial arbitrator* for payment as between the parties as part of any determination.~~
- ~~(c) In deciding to allocate costs against one of the parties to the dispute, the *commercial arbitrator* may have regard to any relevant matters including~~

~~(but not limited to) whether the conduct of that party unreasonably prolonged or escalated the dispute or otherwise increased the costs of resolving the dispute.~~

6A.30.7—Enforcement of agreement or determination and requirement for reasons

- ~~(a) Where the provider and the applicant reach agreement (whether or not the matter is before a *commercial arbitrator*), the parties may execute a written agreement recording their resolution of that dispute.~~
- ~~(b) The *commercial arbitrator* must give its decision determining the dispute, together with its reasons for that decision, in writing and must provide a copy of its determination:
 - ~~(1) to the provider and to the applicant; and~~
 - ~~(2) (except to the extent that it contains confidential information) to the *AER* for publication.~~~~
- ~~(c) An agreement that is executed under paragraph (a) and a determination of the *commercial arbitrator* under paragraph (b) are binding on the provider and the applicant, and any failure to comply with such an agreement or determination is a breach of the *Rules* in respect of which the *AER* may take action in accordance with the *National Electricity Law*.~~

6A.30.8—Miscellaneous

- ~~(a) To the extent permitted by law, a person who is appointed as a *commercial arbitrator* is not liable for any loss, damage or liability suffered or incurred by any person as a consequence of any act or omission of that person which was done in good faith in connection with the dispute.~~
- ~~(b) A person who is appointed as a *commercial arbitrator* may, before acting in relation to the dispute, require the parties to the dispute (or any one of them) to execute a release and indemnity in relation to any loss, damage or liability that that person would, but for the release or indemnity, suffer or incur as a consequence of any act or omission done in good faith in connection with the dispute.~~

Part L Annual Benchmarking Report

6A.31 Annual Benchmarking Report

- (a) The *AER* must prepare and *publish* a *network service provider performance report* (an *annual benchmarking report*) the purpose of which is to describe, in reasonably plain language, the relative efficiency of each *Transmission Network Service Provider* in providing *prescribed transmission services* over a 12 month period.

- (b) Clause 8.7.4 (excluding clause 8.7.4(a)) applies in respect of the preparation of an *annual benchmarking report*.
- (c) Subject to paragraphs (d) and (e), the *AER* must *publish* an *annual benchmarking report* at least every 12 months.
- (d) The first *annual benchmarking report* must be *published* by 30 September 2014.
- (e) The second *annual benchmarking report* must be *published* by 30 November 2015.

Schedule 6A.1 Contents of Revenue Proposals

S6A.1.1 Information and matters relating to capital expenditure

A *Revenue Proposal* must contain at least the following information and matters relating to capital expenditure:

- (1) a forecast of the required capital expenditure that complies with the requirements of clause 6A.6.7 and identifies the forecast capital expenditure by reference to well accepted categories such as:
 - (i) asset class (eg. *transmission lines, substations* etc); or
 - (ii) category driver (eg. *regulatory obligations or requirements, replacement, reliability, net market benefit, business support* etc),and identifies, in respect of proposed material assets:
 - (iii) the location of the proposed asset;
 - (iv) the anticipated or known cost of the proposed asset; and
 - (v) the categories of *transmission services* which are to be provided by the proposed asset;
- (2) the methodology used for developing the capital expenditure forecast;
- (3) the forecasts of load growth relied upon to derive the capital expenditure forecasts and the methodology used for developing those forecasts of load growth;
- (4) the key assumptions that underlie the capital expenditure forecast;
- (5) a certification of the reasonableness of the key assumptions by the directors of the *Transmission Network Service Provider*;
- (6) capital expenditure for each of the past *regulatory years* of the previous and current *regulatory control period*, and the expected capital expenditure for each of the last two *regulatory years* of the current *regulatory control*

period, categorised in the same way as for the capital expenditure forecast and separately identifying for each such *regulatory year*:

- (i) margins paid or expected to be paid by the *Transmission Network Service Provider* in circumstances where those margins are referable to arrangements that do not reflect arm's length terms; and
 - (ii) expenditure that should have been treated as operating expenditure in accordance with the policy submitted under paragraph (9) for that *regulatory year*;
- (7) an explanation of any significant variations in the forecast capital expenditure from historical capital expenditure;
 - (8) any non-network alternatives considered by the *Transmission Network Service Provider*; and
 - (9) the policy that the *Transmission Network Service Provider* applies in capitalising operating expenditure.

S6A.1.2 Information and matters relating to operating expenditure

A *Revenue Proposal* must contain at least the following information and matters relating to operating expenditure:

- (1) a forecast of the required operating expenditure that complies with the requirements of clause 6A.6.6 and identifies the forecast operating expenditure by reference to well accepted categories such as:
 - (i) particular programs; or
 - (ii) types of operating expenditure (eg. maintenance, payroll, materials etc),and identifies in respect of each such category:
 - (iii) to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable; and
 - (iv) the categories of *transmission services* to which that forecast expenditure relates;
- (2) the methodology used for developing the operating expenditure forecast;
- (3) the forecasts of key variables relied upon to derive the operating expenditure forecast and the methodology used for developing those forecasts of key variables;
- (4) the methodology used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant *transmission system* for the purposes of any *service target performance*

incentive scheme that is to apply to the *Transmission Network Service Provider* in respect of the relevant *regulatory control period*;

- (5) the key assumptions that underlie the operating expenditure forecast;
- (6) a certification of the reasonableness of the key assumptions by the directors of the *Transmission Network Service Provider*;
- (7) operating expenditure for each of the first three *regulatory years* of the current *regulatory control period*, and the expected operating expenditure for each of the last two *regulatory years* of that *regulatory control period*, categorised in the same way as for the operating expenditure forecast;
- (8) an explanation of any significant variations in the forecast operating expenditure from historical operating expenditure; and
- (9) any non-network alternatives considered by the *Transmission Network Service Provider*.

S6A.1.3 Additional information and matters

A *Revenue Proposal* must contain at least the following additional information and matters:

- (1) an identification and explanation of any significant interactions between the forecast capital expenditure and forecast operating expenditure programs;
- (2) the values that the *Transmission Network Service Provider* proposes are to be attributed to the *performance incentive scheme parameters* for the purposes of the application to the *Transmission Network Service Provider* of any *service target performance incentive scheme* that has been specified in a *framework and approach paper* and that applies in respect of the relevant *regulatory control period*, and an explanation of how the values proposed to be attributed to those parameters comply with any requirements relating to them set out in that scheme;
- (3) the values that the provider proposes are to be attributed to the *efficiency benefit sharing scheme parameters* for the purposes of the application to the *Transmission Network Service Provider* of any *efficiency benefit sharing scheme* that has been specified in a *framework and approach paper* that applies in respect of the relevant *regulatory control period*, and an explanation of how the values proposed to be attributed to those parameters comply with any relevant requirements set out in that scheme;
- (3A) a description, including relevant explanatory material, of how the *Transmission Network Service Provider* proposes any *capital expenditure sharing scheme* that has been specified in a *framework and approach paper* that applies in respect of the forthcoming *revenue determination* should apply to it;
- (3B) a description, including relevant explanatory material, of how the *Transmission Network Service Provider* proposes any *small-scale incentive*

scheme that has been specified in a *framework and approach paper* that applies in respect of the forthcoming *revenue determination* should apply to it;

- (4) the provider's calculation of:
- (i) the estimated *total revenue cap* for it for the relevant *regulatory control period*; and
 - (ii) the *maximum allowed revenue* for it for each *regulatory year* of the relevant *regulatory control period*,

using the *post-tax revenue model* referred to in rule 6A.5, together with:

- (iii) details of all amounts, values and other inputs used by the *Transmission Network Service Provider* for that purpose;
 - (iv) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and
 - (v) an explanation of the calculation of the amounts referred to in subparagraphs (i) and (ii) and of the amounts, values and inputs referred to in subparagraph (iii);
 - (vi) where one of those amounts, values or inputs is the *allowed rate of return*, details of any departure from the *Rate of Return Guidelines* in calculating that *allowed rate of return* and the reasons for that departure;
- (4A) the *Transmission Network Service Provider's* calculation of the proposed return on equity, return on debt and *allowed rate of return*, for each *regulatory year* of the *regulatory control period*, in accordance with clause 6A.6.2, including any departure from the methodologies set out in the *Rate of Return Guidelines* and the reasons for that departure;
- (4B) if the *Transmission Network Service Provider* proposes that the return on debt for a *regulatory year* of the *regulatory control period* is to be determined using the methodology referred to in clause 6A.6.2(i)(2), the formula it proposes should be applied in accordance with clause 6A.6.2(1);
- (4C) the *Transmission Network Service Provider's* proposed value of imputation credits as referred to in clause 6A.6.4;
- (5) the provider's calculation of the regulatory asset base for the relevant *transmission system* for each *regulatory year* of the relevant *regulatory control period* using the *roll forward model* referred to in clause 6A.6.1, together with:
- (i) details of all amounts, values and other inputs used by the *Transmission Network Service Provider* for that purpose;

- (ii) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and
 - (iii) an explanation of the calculation of the regulatory asset base for each *regulatory year* of the relevant *regulatory control period* and of the amounts, values and inputs referred to in subparagraph (i);
- (6) **[Deleted]**;
- (7) the depreciation schedules nominated by the *Transmission Network Service Provider* for the purposes of clause 6A.6.3, which categorise the relevant assets for these purposes by reference to well accepted categories such as:
- (i) asset class (eg *transmission lines* and *substations*); or
 - (ii) category driver (eg *regulatory obligations or requirements*, replacement, *reliability*, net market benefit, and business support),
- and also by location, together with:
- (iii) details of all amounts, values and other inputs used by the *Transmission Network Service Provider* to compile those depreciation schedules;
 - (iv) a demonstration that those depreciation schedules conform with the requirements set out in clause 6A.6.3(b); and
 - (v) an explanation of the calculation of the amounts, values and inputs referred to in subparagraph (iii);
- (8) the X factors nominated by the *Transmission Network Service Provider* for each *regulatory year* of the relevant *regulatory control period* for the purposes of clause 6A.6.8(a), together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the *Rules*;
- (9) the commencement and length of the *regulatory control period* proposed by the *Transmission Network Service Provider*; and
- (10) if the *Transmission Network Service Provider* is seeking a determination by the AER that a *proposed contingent project* is a *contingent project* for the purposes of the relevant *revenue determination*:
- (i) a description of the *proposed contingent project*, including reasons why the *Transmission Network Service Provider* considers the project should be accepted as a *contingent project* for the *regulatory control period*;
 - (ii) a forecast of the capital expenditure which the *Transmission Network Service Provider* considers is reasonably required for the purpose of undertaking the *proposed contingent project*;

- (iii) the methodology used for developing that forecast and the key assumptions that underlie it;
- (iv) information that demonstrates that the undertaking of the *proposed contingent project* is reasonably required in order to achieve one or more of the *capital expenditure objectives*;
- (v) information that demonstrates that the *proposed contingent capital expenditure* for the *proposed contingent project* complies with the requirements set out in clause 6A.8.1(b)(2) ; and
- (vi) the *trigger events* which are proposed in relation to the *proposed contingent project* and an explanation of how each of those conditions or events addresses the matters referred to in clause 6A.8.1(c).

Schedule 6A.2 Regulatory Asset Base

S6A.2.1 Establishment of opening regulatory asset base for a regulatory control period

(a) **Application of this clause**

This clause S6A.2.1:

- (1) applies to the establishment of the value of the regulatory asset base for a *transmission system* as at the beginning of a *regulatory control period* on the roll forward of the regulatory asset base to that *regulatory control period* from the previous *regulatory control period*; and
- (2) also applies to the establishment of the value of the regulatory asset base for a *transmission system* as at the beginning of a *regulatory control period* where the *transmission system* was not immediately before that time the subject of a *revenue determination*.

(b) **Roll forward model to comply with this clause**

The *roll forward model* referred to in clause 6A.6.1 must provide for those values to be established in accordance with the requirements of clauses S6A.2.1, S6A.2.2 and S6A.2.3.

(c) **Transmission systems of specific providers**

- (1) In the case of a *transmission system* owned, controlled or operated by one of the following *Transmission Network Service Providers* as at 16 February 2006, the value of the regulatory asset base for that *transmission system* as at the beginning of that first *regulatory year* must be determined by rolling forward the regulatory asset base for that *transmission system*, as set out in the table below, in accordance with this schedule:

Transmission Network Service Provider	Regulatory Asset Base (\$m)
EnergyAustralia	635.6 (as at 1 July 2004)
TransGrid	3,012.76 (as at 1 July 2004)
Powerlink	As per transitional revenue determination in accordance with clause 11.6.12
ElectraNet	823.75 (as at 1 January 2003)
Transend	603.6 (as at 31 December 2003)
SP AusNet	1,835.60 (as at 1 January 2003)
Murraylink Transmission Company	102.96 (as at 1 October 2003)
Directlink	116.68 (as at 1 July 2005)

(2) The values in the table above are to be adjusted for the difference between:

- (i) any estimated capital expenditure that is included in those values for any part of a previous *regulatory control period*; and
- (ii) the actual capital expenditure for that part of the previous *regulatory control period*.

This adjustment must also remove any benefit or penalty associated with any difference between the estimated and actual capital expenditure.

(d) Other transmission systems

- (1) This paragraph (d) applies to a *transmission system* not referred to in paragraphs (c) or (e), when *prescribed transmission services* that are provided by means of, or in connection with, that system are to be regulated under a *revenue determination*.
- (2) The value of the regulatory asset base for that *transmission system* as at the beginning of the first *regulatory year* of the first *regulatory control period* for the relevant *Transmission Network Service Provider* is the prudent and efficient value of the assets that are used by the *Transmission Network Service Provider* to provide those *prescribed transmission services* (but only to the extent that they are used to provide such services), as determined by the *AER*. In determining this value, the *AER* must have regard to the matters referred to in clause S6A.2.2.

- (3) The value of the regulatory asset base for that *transmission system* as at the beginning of the first *regulatory year* of any subsequent *regulatory control period* must be determined by rolling forward the value of the regulatory asset base for that *transmission system* as at the beginning of the first *regulatory year* of the first *regulatory control period* in accordance with this schedule.

(e) **Former Market Network Services**

- (1) This paragraph (e) applies to a *transmission system* where any services provided by means of, or in connection with, that *transmission system* are determined to be *prescribed transmission services* under clause 2.5.2(c).
- (2) The value of the regulatory asset base for that *transmission system*, as at the beginning of the first *regulatory year* of the first *regulatory control period* for which those services are to be regulated under a *revenue determination*, is the amount that is determined by the *AER* as the lesser of:
 - (i) the prudent and efficient value of the assets that are used by the relevant *Transmission Network Service Provider* to provide those prescribed services (but only to the extent they are used to provide such services), such value being determined by the *AER* having regard to the matters referred to in clause S6A.2.2; and
 - (ii) the sum of:
 - (A) the net present value of the revenue that it is expected would be earned by the *Transmission Network Service Provider* from the provision of those services, over the remaining life of the assets that are used by the provider to provide those services, if those services had not been determined to be *prescribed transmission services*; and
 - (B) to the extent that such market benefit is not included in the expected revenue referred to in clause S6A.2.1(e)(2)(ii)(A), the net present value of the market benefit to *Registered Participants* of the services being determined to be *prescribed transmission services* compared to being continued to be treated as services that are not *prescribed transmission services*,

reduced by the net present value of the total operating expenditure over the remaining life of the *transmission system* which the *AER* considers to be reasonably required in order to achieve the *operating expenditure objectives*.

For the purposes of clause S6A.2.1(e)(2)(ii)(B), the net present value of the market benefit is the present value of the market benefit less the present value of costs, as those terms are defined for the purposes of

the *regulatory investment test for distribution* or *regulatory investment test for transmission* (as the case may be).

- (3) The value of the regulatory asset base for that *transmission system* as at the beginning of the first *regulatory year* of any subsequent *regulatory control period* must be determined by rolling forward the value of the regulatory asset base for that *transmission system* as at the beginning of the first *regulatory year* of the first *regulatory control period* in accordance with this schedule.

(f) **Method of adjustment of value of regulatory asset base**

Except as otherwise provided in paragraph (c), (d) or (e) and subject to paragraph (g), the value of the regulatory asset base for a *transmission system* as at the beginning of the first *regulatory year* of a *regulatory control period* must be calculated by adjusting the value (the **previous value**) of the regulatory asset base for that *transmission system* as at the beginning of the first *regulatory year* of the immediately preceding *regulatory control period* (the **previous control period**) as follows:

- (1) The previous value of the regulatory asset base must be:
 - (i) increased by the amount of all capital expenditure incurred during the previous control period, including any capital expenditure determined for that period under clause 6A.8.2(e)(1)(i) in relation to *contingent projects* where the *revenue determination* has been amended by the *AER* in accordance with clause 6A.8.2(h) (regardless of whether such capital expenditure is above or below the forecast capital expenditure for the period that is adopted for the purposes of the *transmission determination* (if any) for that period); and
 - (ii) reduced by the amount of any capital expenditure that has been recovered by way of a pass through under clause 6A.7.2 or clause 6A.7.3 where the amount of that capital expenditure would otherwise have been included in the value of the regulatory asset base.
- (2) The previous value of the regulatory asset base must be increased by the amount of the estimated capital expenditure approved by the *AER* for any part of the previous control period for which actual capital expenditure is not available, including any capital expenditure in relation to *contingent projects* where the *total revenue cap* has been amended by the *AER* in accordance with clause 6A.8.2(h).
- (3) The previous value of the regulatory asset base must be adjusted for the difference between:
 - (i) the estimated capital expenditure for any part of a previous *regulatory control period* where that estimated capital expenditure has been included in that value; and

- (ii) the actual capital expenditure for that part of the previous *regulatory control period*.

This adjustment must also remove any benefit or penalty associated with any difference between the estimated and actual capital expenditure.

- (4) The previous value of the regulatory asset base must only be increased by actual or estimated capital expenditure to the extent that all such capital expenditure is properly allocated to the provision of *prescribed transmission services* in accordance with the *Cost Allocation Methodology* for the relevant *Transmission Network Service Provider*.
- (5) The previous value of the regulatory asset base must be reduced by the amount of depreciation of the regulatory asset base during the previous control period, calculated in accordance with the rates and methodologies allowed in the *transmission determination* (if any) for that period.
- (6) The previous value of the regulatory asset base must be reduced by the disposal value of any asset where that asset has been disposed of during the previous control period.
- (7) The previous value of the regulatory asset base must be reduced by the value of any asset where the *AER* determines that the value of that asset should be removed in accordance with clause S6A.2.3.
- (8) Without prejudice to the application of any other provision of this paragraph (f), the previous value of the regulatory asset base may be increased by the inclusion of:
 - (i) past capital expenditure that has not been included in that value because that capital expenditure was incurred in connection with the provision of services that are not *prescribed transmission services*, and in these circumstances, such capital expenditure must only be included to the extent the asset in respect of which that capital expenditure was incurred is subsequently used for the provision of *prescribed transmission services*; and
 - (ii) past capital expenditure that has not been included in that value, but only to the extent that such past capital expenditure:
 - (A) relates to an asset that is used for the provision of *prescribed transmission services*;
 - (B) is considered by the *AER* to be reasonably required in order to achieve one or more of the *capital expenditure objectives*;
 - (C) is properly allocated to *prescribed transmission services* in accordance with the principles and policies set out in the

Cost Allocation Methodology for the relevant *Transmission Network Service Provider*; and

(D) has not otherwise been recovered.

- (g) The previous value of the regulatory asset base must be reduced by any amount determined by the *AER* in accordance with clause S6A.2.2A(f), (i) or (j).

S6A.2.2 Prudency and efficiency of capital expenditure

In determining the prudency or efficiency of capital expenditure under clause S6A.2.1(d)(2) or S6A.2.1(e)(2), the *AER* must have regard to:

- (1) the need to provide a reasonable opportunity for the relevant *Transmission Network Service Provider* to recover the efficient costs of complying with all applicable *regulatory obligations or requirements* associated with the provision of *prescribed transmission services*;
- (2) the need to provide effective incentives to the *Transmission Network Service Provider* to promote economic efficiency in the provision of *prescribed transmission services*;
- (3) whether the relevant project in respect of which capital expenditure was made was evaluated against, and satisfied, the *regulatory investment test for distribution* or *regulatory investment test for transmission* (as the case may be);
- (4) whether the *Transmission Network Service Provider* undertook the capital expenditure in a manner consistent with good business practice and so as to practicably achieve the lowest sustainable cost of delivering the *prescribed transmission services* to be provided as a consequence of that capital expenditure;
- (5) the desirability of minimising investment uncertainty for the *Transmission Network Service Provider*; and
- (6) the need to provide incentives to the *Transmission Network Service Provider* to avoid undertaking inefficient capital expenditure.

In determining the prudency or efficiency of capital expenditure the *AER* must only take into account information and analysis that the provider could reasonably be expected to have considered or undertaken at the time that it undertook the relevant capital expenditure.

S6A.2.2A Reduction for inefficient past capital expenditure

- (a) Prior to making a decision on the regulatory asset base for a *transmission system* as required by clause 6A.14.1(5E), the *AER* may determine under this clause S6A.2.2A that the amount of capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6A.2.1(f) should be reduced.

- (a) For the purposes of this clause S6A.2.2A, "**review period**" means:
- (1) the previous control period (excluding the last two *regulatory years* of that previous control period); and
 - (2) the last two *regulatory years* of the *regulatory control period* preceding the previous control period.
- (b) The *AER* may only make a determination under paragraph (a) if any of the following requirements is satisfied:
- (1) the requirement set out in paragraph (c) (the *overspending requirement*);
 - (2) the requirement set out in paragraph (d) (the *margin requirement*); or
 - (3) the requirement set out in paragraph (e) (the *capitalisation requirement*).
- (c) The *overspending requirement* is satisfied where the sum of all capital expenditure incurred during the review period exceeds the sum of:
- (1) the forecast capital expenditure accepted or substituted by the *AER* for the review period as such forecast capital expenditure has been adjusted in accordance with clauses 6A.7.1(f) and 6A.8.2(h); and
 - (2) any capital expenditure that is recovered by way of such part of an *approved pass through amount*, or of a *network support pass through amount*, as is permitted to be passed through to *Transmission Network Users* during the review period less any capital expenditure that is included in a *negative pass through amount*, or in a *network support pass through amount*, that is required to be passed through to *Transmission Network Users* during the review period.
- (d) The *margin requirement* is satisfied where the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6A.2.1(f) includes capital expenditure that represents a margin paid by the *Transmission Network Service Provider* in circumstances where the margin is referable to arrangements that, in the opinion of the *AER*, do not reflect arm's length terms.
- (e) The *capitalisation requirement* is satisfied where the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6A.2.1(f) includes expenditure that, under the *Transmission Network Service Provider's* applicable capitalisation policy submitted to the *AER* as part of its *Revenue Proposal*, should have been treated as operating expenditure.
- (f) Where the *overspending requirement* is satisfied, and subject to paragraphs (g) and (h), the *AER* may determine that the amount of the capital expenditure as a result of which the previous value of the regulatory asset

base would otherwise be increased in accordance with clause S6A.2.1(f) should be reduced by such amount as the *AER* is satisfied corresponds to capital expenditure incurred during the review period that does not reasonably reflect the *capital expenditure criteria*.

- (g) The amount determined by the *AER* under paragraph (f):
- (1) must not be greater than the amount calculated in accordance with paragraph (c);
 - (2) must be determined in a manner that is consistent with the *capital expenditure incentive objective*, and
 - (3) must be determined taking into account the *Capital Expenditure Incentive Guidelines*.
- (h) In making a determination under paragraph (f), the *AER* must:
- (1) have regard to the *capital expenditure factors*; and
 - (2) only take into account information and analysis that the *Transmission Network Service Provider* could reasonably be expected to have considered or undertaken at the time that it undertook the relevant capital expenditure.
- (i) Where the *margin requirement* is satisfied, and subject to paragraph (k), the *AER* may determine that the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6A.2.1(f) should be reduced by such of the margin referred to in paragraph (d) as the *AER* is reasonably satisfied would not have been paid if the arrangements to which the margin is referable had been on arm's length terms.
- (j) Where the *capitalisation requirement* is satisfied, and subject to paragraph (k), the *AER* may determine that the amount of the capital expenditure as a result of which the previous value of the regulatory asset base would otherwise be increased in accordance with clause S6A.2.1(f) should be reduced by any or all of the amount of expenditure referred to in paragraph (e) which should have been treated as operating expenditure.
- (k) A determination made under paragraph (i) or (j) must be consistent with the *capital expenditure incentive objective* and, in making such a determination, the *AER* must take into account the *Capital Expenditure Incentive Guidelines*.
- (l) Nothing in this clause S6A.2.2A is to be taken to preclude the *AER* from:
- (1) requiring a *Transmission Network Service Provider* to provide such information; or
 - (2) from undertaking such analysis,

as the *AER* considers appropriate to enable it to make a statement, with supporting reasons, as referred to in clause 6A.14.2(1).

S6A.2.2B Depreciation

- (a) Pursuant to clause 6A.14.1(5D), the *AER* must decide, for a draft decision under rule 6A.12 or a final decision under rule 6A.13, whether depreciation for establishing the regulatory asset base for a *transmission system* as at the commencement of the following *regulatory control period* is to be based on actual or forecast capital expenditure.
- (b) The decision referred to in paragraph (a) must be consistent with the *capital expenditure incentive objective*.
- (c) In making the decision referred to in paragraph (a), the *AER* must have regard to:
 - (1) the incentives that the *Transmission Network Service Provider* has in relation to undertaking efficient capital expenditure, including as a result of the application of any incentive scheme or any other incentives under the *Rules*;
 - (2) the substitution possibilities between assets with relatively short economic lives and assets with relatively long economic lives and the relative benefits of such asset types;
 - (3) the extent to which any capital expenditure incurred by the *Transmission Network Service Provider* has exceeded the corresponding amount of forecast capital expenditure accepted or substituted by the *AER* and the amount of that excess expenditure which is not efficient;
 - (4) the *Capital Expenditure Incentive Guidelines*; and
 - (5) the *capital expenditure factors*.

S6A.2.3 Removal of assets from regulatory asset base

- (a) For the purposes of rolling forward the regulatory asset base for a *transmission system* as described in clause 6A.6.1 and this schedule and subject to paragraph (c), the *AER* may only determine to remove, from the regulatory asset base for a *transmission system*, the value of an asset (or group of assets):
 - (1) to the extent that:
 - (i) the asset (or group of assets) is dedicated to one *Transmission Network User* (not being a *Distribution Network Service Provider*) or a small group of *Transmission Network Users*; and
 - (ii) the value of the asset (or group of assets), as included in the value of that regulatory asset base as at the beginning of the first

regulatory year of the current regulatory control period, exceeds the indexed amount, as at the time of the AER's determination, of \$10 million;

- (2) if the AER determines that the asset (or group of assets) is no longer contributing to the provision of *prescribed transmission services*; and
- (3) if the AER determines that the relevant *Transmission Network Service Provider* has not adequately sought to manage the risk of that asset (or that group of assets) no longer contributing to the provision of *prescribed transmission services* by:
 - (i) seeking to negotiate the payment of a lower price by the relevant *Transmission Network Users* for those *prescribed transmission services* in accordance with the *Rules*; or
 - (ii) in the case of assets committed to be constructed on or after 16 February 2006, seeking to enter into arrangements which provide for a reasonable allocation of the risks of the value of that asset (or that group of assets) no longer contributing to the provision of *prescribed transmission services*.

For the purposes of clause S6A.2.3(a)(3)(ii), an asset is, and is only, to be taken to be committed to be constructed if it satisfies the criteria which a project needs to satisfy to be a "committed project" for the purposes of the *regulatory investment test for distribution* or *regulatory investment test for transmission* (as the case may be).

- (b) The AER may determine a separate amount which is to be included in the *annual building block revenue requirement* for a *Transmission Network Service Provider* for each *regulatory year* of a *regulatory control period* so as to compensate the *Transmission Network Service Provider* for the risk of the value of assets being removed from the regulatory asset base for the relevant *transmission system*, but only if it is satisfied that:
 - (1) the risk is not otherwise addressed through another provision of the *Rules*;
 - (2) the *Transmission Network Service Provider* has taken all the steps that a prudent *Transmission Network Service Provider* would take to manage the risk; and
 - (3) the *total revenue cap* for the *Transmission Network Service Provider* for that *regulatory control period* does not adequately reflect risks that cannot be reasonably managed.
- (c) Nothing in paragraph (a) is to be taken to limit the application of clause S6A.2.2A.

S6A.2.4 Roll forward of regulatory asset base within the same regulatory control period

(a) **Application of this clause**

This clause S6A.2.4 applies to the establishment of the value of the regulatory asset base for a *transmission system* as at the beginning of one *regulatory year* in a *regulatory control period* on the roll forward of the regulatory asset base to that *regulatory year* from the immediately preceding *regulatory year* (if any) in that *regulatory control period*.

(b) **Roll forward model to comply with this clause**

The *roll forward model* referred to in clause 6A.6.1 must provide for that value to be established in accordance with the requirements of this clause S6A.2.4.

(c) **Method of adjustment of value of regulatory asset base**

The value of the regulatory asset base for a *transmission system* as at the beginning of the second or a subsequent year (**the later year**) in a *regulatory control period* must be calculated by adjusting the value (**the previous value**) of the regulatory asset base for that *transmission system* as at the beginning of the immediately preceding *regulatory year* (**the previous year**) in that *regulatory control period* as follows:

- (1) The previous value of the regulatory asset base must be increased by the amount of forecast capital expenditure accepted or substituted by the *AER* for the previous year in accordance with clause 6A.6.7(c) or clauses 6A.13.2(b)(4) and (5) (as the case may be).
- (2) The previous value of the regulatory asset base must be reduced by the amount of depreciation included in the *annual building block revenue requirement* for the previous year.
- (3) The previous value of the regulatory asset base must be reduced by the disposal value of any asset included in that value where the asset is forecast to be disposed of during the previous year.
- (4) The previous value of the regulatory asset base must be increased by an amount necessary to maintain the real value of the regulatory asset base as at the beginning of the later year by adjusting that value for inflation.

(d) **Allowance for working capital**

If the *AER* determines that it is appropriate to do so, it may include an allowance for working capital in the regulatory asset base for a *transmission system* which is rolled forward in accordance with this clause S6A.2.4.

Schedule 6A.3 CRNP methodology and modified CRNP methodology

S6A.3.1 Meaning of optimised replacement cost

For the purposes of this schedule 6A.3, references to “optimised replacement cost” include an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the *Transmission Network Service Provider*.

S6A.3.2 CRNP methodology

CRNP Methodology (or *cost reflective network pricing*) is an allocation process that involves the following steps:

- (1) Attributing network ‘costs’ to *transmission system* assets: the locational component of the *ASRR* allocated to *prescribed TUOS services* is allocated to each asset used to provide *prescribed TUOS services* based on the ratio of the optimised replacement cost of that asset, to the optimised replacement cost of all *transmission system* assets used to provide *prescribed use of system services*. The allocation to each *transmission system* asset is the **‘locational network asset cost’**.
- (2) Determining the baseline allocation of *generation to loads* using a ‘fault contribution matrix’.
- (3) Determining the allocation of dispatched *generation to loads* over a range of actual operating conditions from the previous *financial year*. The range of operating scenarios is chosen so as to include the conditions that result in most stress on the *transmission network* and for which *network* investment may be contemplated. For each operating scenario selected:
 - (i) a constrained allocation of *generation to loads* matrix must be developed, in which *generation* is allocated to serving *loads* on the basis of the fault contribution matrix;
 - (ii) load flow analysis techniques are used to solve for *network* flows and to calculate the sensitivity of flows on each *network element* resulting from incremental changes in each *load*;
 - (iii) the sensitivities are weighted by *load* to derive a ‘flow component’ magnitude in each *network* element due to each *load* for that hour;
 - (iv) the relative utilisation of each *network* element by each *load* is calculated from the ‘flow component’ magnitudes, using only the flow components in the direction of the prevailing line flow.
- (4) When all the selected operating scenarios have been assessed, allocating the individual locational *network* asset costs to *loads* on a pro rata basis using the maximum ‘flow component’ that each *load* has imposed on each *network* asset across the range of operating conditions considered.

- (5) Summing the individual locational *network* asset costs allocated to each *load* to give the total amounts allocated to that *load*.

S6A.3.3 Modified CRNP methodology

Modified CRNP methodology is an allocation process that involves replacing step 1 of the CRNP methodology referred to in clause S6A.3.2(1) with the following 3 steps:

- (1) Allocating the *ASRR* allocated to *prescribed use of system services* to each *transmission system* asset used to provide *prescribed TUOS services* based on the ratio of the optimised replacement cost of the that asset to the optimised replacement cost of all *transmission system* assets used to provide *prescribed TUOS services*. The amount so allocated to each asset is the asset's gross network asset cost.
- (2) Adjusting individual gross *network* asset costs: the individual gross *network* asset costs determined in subparagraph (1) must each be multiplied by a factor (between 0 and 1) that depends on the utilisation of each asset. The resulting amount for each asset is the locational network asset cost while the remainder is the non-locational network asset cost.
- (3) Determining the non-locational component: the sum of the non-locational *network* asset cost represents the non-locational component of the *ASRR* for *prescribed TUOS services*.

Schedule 6A.4 Application of this Chapter to AEMO and declared transmission system operators

S6A.4.1 Application of this Chapter to AEMO etc

- (a) For the purpose of applying this Chapter, *AEMO* will be regarded as a *Transmission Network Service Provider* providing *shared transmission services*.
- (b) However, in the application of this Chapter to *transmission services* provided by means of, or in connection with, the *declared transmission system* of an *adoptive jurisdiction*, a reference to a *Transmission Network Service Provider* is, in relation to the provision of *entry services*, *exit services* or *shared network capability services* to be read as a reference to a *declared transmission system operator*.

S6A.4.2 Exclusions, qualifications and modifications

- (a) This Chapter will be read subject to the following exclusions, qualifications and modifications.
- (b) **Part A (Introduction)**
Clause 6A.1.4(b) is excluded.

(c) **Part B (Transmission Determinations Generally)**

This Part applies subject to the following exclusions, qualifications and modifications:

Clause 6A.2.2 (Components of transmission determinations):

- (1) A *transmission determination* for AEMO will not include a *revenue determination*.
- (2) However, AEMO must have a revenue methodology (which will not be subject to the AER's approval) setting out the method for calculating AEMO's *maximum allowed revenue* for the provision of *prescribed transmission services* for each *regulatory year*.
- (3) In formulating its revenue methodology, or an amendment to its revenue methodology, AEMO must consult with the public.
- (4) AEMO's *maximum allowed revenue* consists of:
 - (i) so much of the *aggregate annual revenue requirement* of each *declared transmission system operator* for AEMO's *regulatory year* as relates to the provision to AEMO of *shared network capability services*; and
 - (ii) the other costs forecast to be incurred by AEMO in the same *regulatory year* for the provision of *prescribed shared transmission services*.

Note:

The costs under subparagraph (ii) might include the cost of *electricity network services* provided by a *declared transmission system operator* where those services are, from the standpoint of the operator, not *prescribed transmission services*.

- (5) The revenue methodology must include a description of:
 - (i) the categories of costs to be recovered; and
 - (ii) the method (which must be consistent with the *Cost Allocation Principles*) for allocating costs to *prescribed transmission services* and *negotiated transmission services*; and
 - (iii) how under and over recovery of revenue in a particular *regulatory year* is to be treated.
- (6) The revenue methodology must be consistent with section 52 of the *National Electricity Law* and the provisions of Chapter 2 of these *Rules* applicable to AEMO.
- (7) AEMO must comply with its revenue methodology.

- (8) Before the commencement of the *regulatory year* to which *AEMO's* revenue methodology applies, *AEMO* must *publish*:
- (i) the revenue methodology; and
 - (ii) a report on how it has applied its revenue methodology for the purpose of determining prices for the ensuing *regulatory year*.
- (9) However, for the *regulatory year* commencing on 1 July 2009, *AEMO* may, instead of formulating and publishing its own revenue methodology, adopt as its revenue methodology relevant provisions of the *transmission determination* that would have applied to VENCORP for that *regulatory year* if the legislative and regulatory changes that took effect at the commencement of that *regulatory year* had not been made.

(d) **Part C (Regulation of Revenue – Prescribed Transmission Services)**

This Part is not applicable to *AEMO*.

This Part applies to a *declared transmission system operator* with the following modification of clause 6A.7.1:

If a *declared transmission system operator* is directed by *AEMO*, or is required by or agrees with a *Connection Applicant*, to construct an *augmentation*, clause 6A.7.1 applies as if:

- (1) the direction, requirement or agreement were an event in respect of which the *declared transmission system operator* were unconditionally authorised under clause 6A.7.1(a) to apply to the *AER* for revocation and substitution of a *revenue determination*; and
- (2) clause 6A.7.1(a)(1) to (7) were inapplicable to an application founded on such an event; and
- (3) the following were added after clause 6A.7.1(d):
 - (da) If a *declared transmission system operator* is directed by *AEMO*, or is required by or agrees with a *Connection Applicant*, to construct an *augmentation*, and the operator applies to the *AER* for revocation of a *revenue determination* on that ground, the *AER* must revoke the *revenue determination*.

(e) ~~Part D (Negotiated Transmission Services)~~

~~Part D applies subject to the following qualification:~~

~~Clause 6A.9.1 applies to *AEMO* as if the reference in paragraph (1) to “principles and policies set out in the *Cost Allocation Methodology* for the relevant *Transmission Network Service Provider*” were a reference to principles and policies set out in *AEMO's* revenue methodology.~~

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(f) **Part E (Revenue determinations, ~~negotiating frameworks~~ and pricing methodologies)**

Part E applies subject to the following exclusions, qualifications and modifications:

1. Clause 6A.10.1 (Submission of proposal, ~~framework~~, pricing methodology and information)

Clause 6A.10.1 applies to *AEMO* as if for paragraphs (a), (b) and (c) the following were substituted:

- (a) *AEMO* must, as and when required by the *AER*, submit to the *AER*:

- (1) a proposed *pricing methodology* relating to *shared transmission services* that are *prescribed TUOS services* or *prescribed common transmission services* (***prescribed shared transmission services***); ~~and~~

- (2) **[Deleted]** ~~a proposed negotiating framework relating to shared transmission services that are negotiated transmission services.~~

- (b) *AEMO's pricing methodology*:

- (1) must be designed to recover no more than *AEMO's maximum allowed revenue* for the provision of *prescribed shared transmission services*; and

- (2) must set out the principles on which prices for *prescribed shared transmission services* are to be determined.

- (c) Exact equivalence is not required between the costs of providing a service and the revenue derived from providing the service in a particular *regulatory year* if there are reasonable grounds to believe that costs will over time approximate revenue.

- (ca) ~~The proposed negotiating framework must comply with the requirements of, and must contain or be accompanied by the information required by, any relevant regulatory information instrument.~~ **[Deleted]**

- 1A. Clause 6A.10.1A (*AER's framework and approach paper*)

Clause 6A.10.1A is not applicable to *AEMO*.

2. **[Deleted]**

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3. Clause 6A.11.1 (Preliminary examination and determination of non-compliance with relevant requirements)

Clause 6A.11.1 applies to *AEMO* only insofar as relevant to a ~~negotiating framework or~~ pricing methodology.

4. Clause 6A.11.2 (Resubmission of proposal, ~~framework,~~ pricing methodology or information)

Clause 6A.11.2 applies to *AEMO* only insofar as relevant to a ~~negotiating framework or~~ pricing methodology.

5. Clause 6A.11.3 (Resubmission of proposal, ~~framework,~~ pricing methodology or information)

Clause 6A.11.3 applies to *AEMO* only insofar as relevant to a ~~negotiating framework or~~ pricing methodology.

6. Rule 6A.12 (Draft decision and further consultation)

This *Rule* applies to *AEMO* only insofar as relevant to a decision on a ~~negotiating framework or a~~ pricing methodology.

7. Rule 6A.13 (Final decision)

This *Rule* applies to *AEMO* only insofar as relevant to a decision on a ~~negotiating framework or a~~ pricing methodology.

8. Rule 6A.14 (Requirements relating to draft and final decisions)

(a) This *Rule* applies to *AEMO* only insofar as relevant to a decision on ~~a negotiating framework or a~~ pricing methodology.

(b) Clause 6A.14.3(e) (which requires the *AER* to approve a regulatory control period of 5 regulatory years) is inapplicable to *AEMO*.

Note:

The *Rule* is thus largely inapplicable. Of clause 6A.14.1 only paragraphs (6), (7) and (8) are applicable. Clause 6A.14.2 requires the *AER* to give reasons setting out the basis and rationale of its decision. This requirement is relevant to a decision on a pricing methodology ~~or negotiating framework~~ but the matters of detail mentioned in paragraphs (1) to (4) would, as a general rule, be irrelevant to such a decision. Of clause 6A.14.3 only paragraphs (f) to (i) would be relevant.

9. Rule 6A.15 (Revocation of revenue determination or amendment of pricing methodology for wrong information or error)

This *Rule* applies to *AEMO* only insofar as relevant to the amendment of a pricing methodology.

10. Rule 6A.16 (Miscellaneous)

This *Rule* applies as if it included the following additional paragraphs:

- (g) *AEMO* must, on or before 15 May in each year, *publish* its prices for *prescribed shared transmission services* for its next *regulatory year*.
- (h) A *declared transmission system operator* must notify *AEMO* of its revenue requirement for the provision of *shared network capability services* for *AEMO's* next *regulatory year* in sufficient time to enable *AEMO* to calculate prices in accordance with the approved *pricing methodology* and meet its obligations under paragraph (g).

(g) **Part F (Information Disclosure)**

This Part is not applicable to *AEMO*.

(h) **Part G (Cost Allocation)**

AEMO's revenue methodology must be consistent with the *Cost Allocation Principles* set out in this Part: see clause S6A.4.2(c)(5). This Part applies to *AEMO* only insofar as it is relevant to that requirement.

(i) **Part H (Transmission Consultation Procedures)**

No exclusions, qualifications or modifications are prescribed.

(j) **Part I (Ring-Fencing Arrangements for Transmission Network Service Providers)**

This Part is not applicable to *AEMO*.

(k) **Part J (Prescribed Transmission Services – Regulation of Pricing)**

Part J applies subject to the following exclusions, qualifications and modifications:

1. Rule 6A.23 (Pricing Principles for Prescribed Transmission Services)

Clause 6A.23.3 applies as if it included the following additional paragraphs:

- (g) In relation to the *declared transmission system* of an *adoptive jurisdiction*:
 - (1) *AEMO* is responsible for allocating the *ASRR* for *prescribed TUOS services* and *prescribed common transmission services*; and
 - (2) the relevant *declared transmission system operator* is responsible for allocating the *ASRR* for *prescribed entry services* and *prescribed exit services*.

- (h) *A declared transmission system operator must:*
- (1) allocate costs between *shared network capability services* and *prescribed connection services*; and
 - (2) notify *AEMO* of its allocation (and the basis on which it was made) in sufficient time to calculate prices for *AEMO's* next *regulatory year* in accordance with its *pricing methodology*; and
 - (3) provide *AEMO* (as and when requested by *AEMO*) with the information *AEMO* reasonably requires to allocate *ASRR* for *prescribed TUOS services* and *prescribed common transmission services*.

Clause 6A.23.4 applies as if it included the following additional paragraph:

- (k) *A declared transmission system operator* is not required to develop separate prices for recovery of the *ASRR* referable to *shared network capability services*.

2. Rule 6A.24 (Pricing Methodology)

Clause 6A.24.1 applies as if the following paragraphs were substituted for paragraphs (e) and (f):

- (e) Subject to express provisions of these *Rules* to the contrary, a *pricing methodology*:
- (1) applies for the duration of the relevant *regulatory control period*; and
 - (2) may not be amended during the *regulatory control period*.
- (f) However, the *AER* may, on an application made by *AEMO* during the *regulatory year* commencing on 1 July 2009, amend *AEMO's pricing methodology* as it applies to the setting of prices for the *regulatory year* commencing on 1 July 2010 and later *regulatory years*.

Clause 6A.24.2 applies as if the following sub-paragraphs were substituted for sub-paragraphs (c)(1) and (c)(2):

- (1) **[deleted]**; or
- (2) 15 May each year.

3. Clause 6A.26.1 (Agreements for prudent discounts for prescribed transmission services)

Clause 6A.26.1 applies as if:

- (1) the power under paragraph (b) to agree to charge lower prices for *prescribed TUOS services* and *prescribed common transmission services* were vested in *AEMO* to the exclusion of the relevant *declared transmission system operator*; and
- (2) additional provisions to the following effect were included:
 - (i) *AEMO* must obtain the written consent of the relevant *declared transmission system operator* before exercising that power;
 - (ii) the relevant *declared transmission system operator* and *AEMO* must negotiate in good faith whenever either of them asks the other to consider a proposal for the exercise of that power in a particular manner.

4. Clause 6A.26.2 (Application to *AER* for approval of proposed prudent discount amounts)

Clause 6A.26.2 (k) is not applicable to *AEMO*.

5. Clause 6A.29.1 (Multiple Transmission Network Service Providers within a region)

Clause 6A.29.1 applies as if it included the following additional paragraph:

- (g) *AEMO* is (without appointment under clause 6A.29.1(a)) the *Co-ordinating Network Service Provider* for a *region* that includes the whole or the major part of the *declared shared network*.

- (l) ~~**Part K (Commercial arbitration for disputes about terms and conditions of access for prescribed and negotiated transmission services)**~~

~~This Part does not apply to a dispute that can be resolved by the *AER* under section 50H of the *National Electricity Law*.~~

- (m) **Schedule S6A.1 (Contents of Revenue Proposals)**

This Schedule is not applicable to *AEMO*.

- (n) **Schedule S6A.2 (Regulatory Asset Base)**

This Schedule is not applicable to *AEMO*.

Clause S6A.2.3(a)(3)(i) is not applicable to a *declared transmission system operator*.

- (o) **Schedule S6A.3 (CRNP methodology and modified CRNP methodology)**

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This Schedule applies without exclusion, qualification or modification.