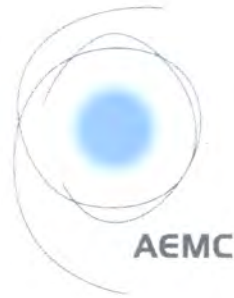


DRAFT RULE

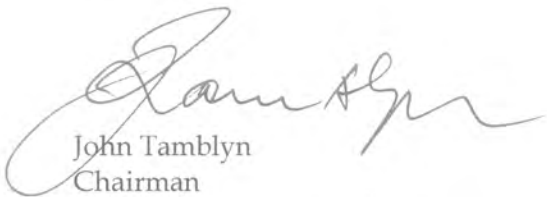


Draft National Electricity Amendment (Cost Allocation Arrangements for Transmission Services) Rule 2008

under the National Electricity Law as applied by:

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

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



John Tamblyn
Chairman
Australian Energy Market Commission

DRAFT RULE

Schedule 1 Amendment of National Electricity Rules

(Clause 3)

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

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

- (e) Notwithstanding paragraphs (a), (b), (c) and (d) above and clause 6A.19.2(6), the *Transmission Ring-Fencing Guidelines* must not include any provisions which deal with or require the allocation of costs as between:
 - (1) *prescribed transmission services and negotiated transmission services;*
or
 - (2) *categories of prescribed transmission services,*

in a manner which is inconsistent with the *Cost Allocation Principles* or the *Cost Allocation Guidelines*.

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

Omit clause 11.6.11, including its heading, and substitute:

Clause 11.6.11 Transition to new Chapter 6A: existing prescribed connection services

Definitions

- (a) In this clause 11.6.11:

eligible asset means:

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

DRAFT RULE

and excludes an existing asset or a replacement asset to the extent that it ceases to be used after the commencement date to provide a *connection service* to a *Transmission Network User* or a group of *Transmission Network Users* at a *connection point*.

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

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

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

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

prescribed connection service means, for a *regulatory control period* occurring after the commencement date, a *connection service* provided by a *Transmission Network Service Provider* on or after the commencement date in respect of which the following criteria are satisfied immediately before the start of that *regulatory control period*:

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

replacement asset means:

- (1) an asset which replaces an existing asset after 9 February 2006; or

DRAFT RULE

- (2) an asset which replaces an asset referred to in this definition after 9 February 2006.

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

Prescribed transmission services

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

Interaction with new Chapter 6A

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

Cessation of prescribed connection services

DRAFT RULE

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