

National Electricity Rules Version 19

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National Electricity Amendment (Economic Regulation of Transmission Services undertaken by Distribution Network Service Providers) Rule 2008

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CHAPTER 6

Chapter 6 Economic Regulation of Distribution Services

Part A Introduction

6.1 Introduction to Chapter 6

6.1.1 AER's regulatory responsibility

The *AER* is responsible, in accordance with this Chapter, for the economic regulation of *distribution services* provided by means of, or in connection with, *distribution systems* that form part of the *national grid*.

6.1.2 Structure of this Chapter

- (a) This Chapter deals with the classification and economic regulation of *distribution services*.
- (b) It is divided into parts as follows:
 - (1) this Part is introductory;
 - (2) Part B confers power on the *AER* to classify *distribution services*, to determine the forms of control for *distribution services*, and to make distribution determinations;
 - (3) Part C sets out the building block approach to the regulation of services classified as *standard control services*;
 - (4) Part D regulates the prices that may be charged by *Distribution Network Service Providers* for the provision of services classified as *negotiated distribution services*;
 - (5) Part E sets out the procedures for making a distribution determination;
 - (6) Part F regulates cost allocation;
 - (7) Part G contains the distribution consultation procedures;
 - (8) Part H deals with ring-fencing;
 - (9) Part I deals with *tariff classes* and tariffs;
 - (10) Part J deals with billing and settlements;
 - (11) Part K deals with prudential requirements, prepayments and capital contributions;
 - (12) Part L deals with dispute resolution;
 - (13) Part M deals with the disclosure of transmission and distribution charges; ~~and~~
 - (14) Part N provides for services provided by, or in connection with, *dual function assets* to be the subject of distribution determinations.

6.1.3 Access to direct control services and negotiated distribution services

- (a) Subject to and in accordance with the *Rules*:
 - (1) a person (a *Service Applicant*) may apply to a *Distribution Network Service Provider* for provision of *direct control services* or *negotiated distribution services*;
 - (2) a *Distribution Network Service Provider* must provide *direct control services* or *negotiated distribution services* (as the case may be) on *terms and conditions of access* as determined under Chapters 4, 5, this Chapter 6 and Chapter 7 of the *Rules*.
- (b) The *terms and conditions of access* are:
 - (1) in relation to *negotiated distribution services*:
 - (i) the price of those services (including, if relevant, *access charges*); and
 - (ii) other terms and conditions for the provision of those services;
 - (2) in relation to *direct control services*:
 - (i) the price of those services under the *approved pricing proposal*; and
 - (ii) other terms and conditions for the provision of those services.

6.1.4 Prohibition of DUOS charges for the export of energy

- (a) A *Distribution Network Service Provider* must not charge a *Distribution Network User* *distribution use of system charges* for the export of electricity generated by the user into the *distribution network*.
- (b) This does not, however, preclude charges for the provision of *connection services*.

Part B Classification of Distribution Services and Distribution Determinations

Division 1 Classification of distribution services

6.2 Classification

6.2.1 Classification of distribution services

- (a) The *AER* may classify a *distribution service* to be provided by a *Distribution Network Service Provider* as:
 - (1) a *direct control service*; or
 - (2) a *negotiated distribution service*.

Note:

If the AER decides against classifying a distribution service, the service is not regulated under the Rules.

- (b) The AER may group *distribution services* together for the purpose of classification and, if it does so, a single classification made for the group applies to each service comprised in the group as if it had been separately classified.
- (c) The AER must, in classifying a *distribution service* or *distribution services*, have regard to:
 - (1) the form of regulation factors; and
 - (2) the form of regulation (if any) previously applicable to the relevant service or services and, in particular, any previous classification under the present system of classification or under the previous regulatory system (as the case requires); and
 - (3) the desirability of consistency in the form of regulation for similar services (both within and beyond the relevant jurisdiction); and
 - (4) any other relevant factor.
- (d) In classifying *distribution services* that have previously been subject to regulation under the present or earlier legislation, the AER must act on the basis that, unless a different classification is clearly more appropriate:
 - (1) there should be no departure from a previous classification (if the services have been previously classified); and
 - (2) if there has been no previous classification – the classification should be consistent with the previously applicable regulatory approach.
- (e) If the *Rules*, however, require that a particular classification be assigned to a *distribution service* of a specified kind, a *distribution service* of the relevant kind is to be classified in accordance with that requirement.

6.2.2 Classification of direct control services as standard control services or alternative control services

- (a) *Direct control services* are to be further divided into 2 subclasses:
 - (1) *standard control services*; and
 - (2) *alternative control services*.
- (b) The AER may group *direct control services* together for the purpose of classification and, if it does so, a single classification made for the group applies to each service comprised in the group as if it had been separately classified.
- (c) The AER must, in classifying a *direct control service* as a *standard control service* or an *alternative control service*, have regard to:
 - (1) the potential for development of competition in the relevant market and how the classification might influence that potential; and

- (2) the possible effects of the classification on administrative costs of the *AER*, the *Distribution Network Service Provider* and users or potential users; and
- (3) the regulatory approach (if any) applicable to the relevant service immediately before the commencement of the distribution determination for which the classification is made; and
- (4) the desirability of a consistent regulatory approach to similar services (both within and beyond the relevant jurisdiction); and
- (5) the extent the costs of providing the relevant service are directly attributable to the customer to whom the service is provided; and

Example:

In circumstances where a service is provided to a small number of identifiable customers on a discretionary or infrequent basis, and costs can be directly attributed to those customers, it may be more appropriate to classify the service as an alternative control service than as a standard control service.

- (6) any other relevant factor.
- (d) In classifying *direct control services* that have previously been subject to regulation under the present or earlier legislation, the *AER* must act on the basis that, unless a different classification is clearly more appropriate:
- (1) there should be no departure from a previous classification (if the services have been previously classified); and
 - (2) if there has been no previous classification – the classification should be consistent with the previously applicable regulatory approach.
- (e) If the *Rules*, however, require that a *direct control service* of a specified kind be classified either as a *standard control service* or as an *alternative control service*, a *direct control service* of the relevant kind is to be classified in accordance with that requirement.

6.2.3 Term for which classification operates

A classification forms part of a distribution determination and operates for the *regulatory control period* for which the distribution determination is made.

Note:

The classification is to be reviewed in the course of the making of the next distribution determination, and (subject to these Rules) a reclassification may be made for the purposes of that determination.

Division 2 Distribution determinations

6.2.4 Duty of AER to make distribution determinations

- (a) The *AER* must make a distribution determination for each *Distribution Network Service Provider*.

- (b) When the *AER* makes a distribution determination it must follow the process set out in Part E.
- (c) If more than one *distribution system* is owned, controlled or operated by a *Distribution Network Service Provider*, then, unless the *AER* otherwise determines, a separate distribution determination is to be made for each *distribution system*.
- (d) If 2 or more parts of the same *distribution system* were separately regulated at the commencement of this Chapter, then, unless the *AER* otherwise determines, a separate distribution determination is to be made for each of those parts of the *distribution system*.

6.2.5 Control mechanisms for direct control services

- (a) A distribution determination is to impose controls over the prices of *direct control services*, the revenue to be derived from *direct control services* or both.
- (b) The control mechanism may consist of:
 - (1) a schedule of fixed prices; or
 - (2) caps on the prices of individual services; or
 - (3) caps on the revenue to be derived from a particular combination of services; or
 - (4) tariff basket price control; or
 - (5) revenue yield control; or
 - (6) a combination of any of the above.
- (c) In deciding on a control mechanism for *standard control services*, the *AER* must have regard to:
 - (1) the need for efficient tariff structures; and
 - (2) the possible effects of the control mechanism on administrative costs of the *AER*, the *Distribution Network Service Provider* and users or potential users; and
 - (3) the regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination; and
 - (4) the desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction); and
 - (5) any other relevant factor.
- (d) In deciding on a control mechanism for *alternative control services*, the *AER* must have regard to:
 - (1) the potential for development of competition in the relevant market and how the control mechanism might influence that potential; and

- (2) the possible effects of the control mechanism on administrative costs of the *AER*, the *Distribution Network Service Provider* and users or potential users; and
- (3) the regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination; and
- (4) the desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction); and
- (5) any other relevant factor.

6.2.6 Basis of control mechanisms for direct control services

- (a) For *standard control services*, the control mechanism must be of the prospective CPI minus X form, or some incentive-based variant of the prospective CPI minus X form, in accordance with Part C.
- (b) For *alternative control services*, the control mechanism must have a basis stated in the distribution determination.
- (c) The control mechanism for *alternative control services* may (but need not) utilise elements of Part C (with or without modification).

Examples:

The control mechanism might be based on the building block approach.

The distribution determination might provide for the application of clause 6.6.1 to pass through events with necessary adaptations and specified modifications.

6.2.7 Negotiated distribution services

Negotiated distribution services are regulated in accordance with Part D.

Division 3 Guidelines

6.2.8 Guidelines

- (a) The *AER* may *publish* guidelines as to:
 - (1) the classification of *distribution services*; and
 - (2) the control mechanisms for *direct control services*; and
 - (3) the calculation of stand-alone, avoidable and long-run marginal costs; and
 - (4) the *AER's* likely approach to determining materiality in the context of possible *pass through events*; and
 - (5) other matters relevant to this Chapter.

- (b) The guidelines may relate to a specified *Distribution Network Service Provider* or *Distribution Network Service Providers* of a specified class.
- (c) The guidelines are not mandatory (and hence do not bind the *AER* or anyone else) but, if the *AER* makes a distribution determination that is not in accordance with a relevant guideline, the *AER* must state, in its reasons for the distribution determination, the reasons for departing from the guideline.
- (d) If the guidelines indicate that there may be a change of regulatory approach in future distribution determinations, the guidelines should also (if practicable) indicate how transitional issues are to be dealt with.
- (e) In making or amending a guideline, the *AER* must follow the *distribution consultation procedures* in Part G.

Part C Building Block Determinations for standard control services

6.3 Building block determinations

6.3.1 Introduction

- (a) A *building block determination* is a component of a distribution determination.
- (b) The procedure for making a *building block determination* is contained in Part E of this Chapter and involves the submission of a *building block proposal* to the *AER* by the *Distribution Network Service Provider*.
- (c) The *building block proposal*:
 - (1) must be prepared in accordance with the *post-tax revenue model*, other relevant requirements of this Part, and Schedule 6.1; and
 - (2) must comply with the requirements of, and must contain or be accompanied by the information required by, any relevant *regulatory information instrument*.

6.3.2 Contents of building block determination

- (a) A *building block determination* for a *Distribution Network Service Provider* is to specify, for a *regulatory control period*, the following matters:
 - (1) the *Distribution Network Service Provider's annual revenue requirement* for each *regulatory year* of the *regulatory control period*;
 - (2) appropriate methods for the indexation of the regulatory asset base;
 - (3) how any applicable *efficiency benefit sharing scheme*, *service target performance incentive scheme*, or *demand management incentive scheme* are to apply to the *Distribution Network Service Provider*;
 - (4) the commencement and length of the *regulatory control period*;
 - (5) any other amounts, values or inputs on which the *building block determination* is based (differentiating between those contained in, or

inferred from, the service provider's *building block proposal* and those based on the *AER's* own estimates or assumptions).

- (b) A *regulatory control period* must be not less than 5 *regulatory years*.

6.4 Post-tax revenue model

6.4.1 Preparation, publication and amendment of post-tax revenue model

- (a) The *AER* must, in accordance with the *distribution consultation procedures*, prepare and *publish* a *post-tax revenue model*.
- (b) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace the *post-tax revenue model*.
- (c) The *AER* must develop and *publish* the first *post-tax revenue model* within 6 months after the commencement of this clause and there must be such a model in force at all times after that date.

6.4.2 Contents of post-tax revenue model

- (a) The *post-tax revenue model* must set out the manner in which the *Distribution Network Service Provider's* annual revenue requirement for each *regulatory year* of a *regulatory control period* is to be calculated.
- (b) The contents of the *post-tax revenue model* must include (but are not limited to):
 - (1) a method that the *AER* determines is likely to result in the best estimates of expected inflation; and
 - (2) the timing assumptions and associated discount rates that are to apply in relation to the calculation of the building blocks referred to in clause 6.4.3; and
 - (3) the manner in which working capital is to be treated; and
 - (4) the manner in which the estimated cost of corporate income tax is to be calculated.

6.4.3 Building block approach

- (a) Building blocks generally

The *annual revenue requirement* for a *Distribution Network Service Provider* for each *regulatory year* of a *regulatory control period* must be determined using a building block approach, under which the building blocks are:

- (1) indexation of the regulatory asset base – see paragraph (b)(1); and
- (2) a return on capital for that year – see paragraph (b)(2); and
- (3) the depreciation for that year – see paragraph (b)(3); and
- (4) the estimated cost of corporate income tax of the provider for that year – see paragraph (b)(4); and

- (5) the revenue increments or decrements (if any) for that year arising from the application of the *efficiency benefit sharing scheme*, the *service target performance incentive scheme* and the *demand management incentive scheme* – see paragraph (b)(5); and
- (6) the other revenue increments or decrements (if any) for that year arising from the application of a control mechanism in the previous *regulatory control period* – see paragraph (b)(6); and
- (7) the forecast operating expenditure for that year – see paragraph (b)(7).

(b) Details of the building blocks

For the purposes of paragraph (a):

- (1) for indexation of the regulatory asset base:
 - (i) the regulatory asset base is calculated in accordance with clause 6.5.1 and schedule 6.2; and
 - (ii) the building block comprises a negative adjustment equal to the amount referred to in clause S6.2.3(c)(4) for that year; and
- (2) the return on capital is calculated in accordance with clause 6.5.2; and

Note:

A statement of regulatory intent may be relevant to the calculation (See clause 6.5.4).

- (3) the depreciation is calculated in accordance with clause 6.5.5; and
- (4) the estimated cost of corporate income tax is determined in accordance with clause 6.5.3; and

Note:

A statement of regulatory intent may be relevant to the calculation (See clause 6.5.4).

- (5) the revenue increments or decrements referred to in paragraph (a)(5) are those that arise as a result of the operation of an applicable *efficiency benefit sharing scheme*, *service target performance incentive scheme* or *demand management incentive scheme* as referred to in clauses 6.5.8, 6.6.2 and 6.6.3; and
- (6) the other revenue increments or decrements referred to in paragraph (a)(6) are those that are to be carried forward to the current *regulatory control period* as a result of the application of a control mechanism in the previous *regulatory control period* and are apportioned to the relevant year under the distribution determination for the current *regulatory control period*; and
- (7) the forecast operating expenditure for the year is the forecast operating expenditure as accepted or substituted by the *AER* in accordance with clause 6.5.6.

6.5 Matters relevant to the making of building block determinations

6.5.1 Regulatory asset base

Nature of regulatory asset base

- (a) The regulatory asset base for a *distribution system* owned, controlled or operated by a *Distribution Network Service Provider* is the value of those assets that are used by the provider to provide *standard control services*, but only to the extent that they are used to provide such services.

Preparation, publication and amendment of model for rolling forward regulatory asset base

- (b) The *AER* must, in accordance with the *distribution consultation procedures*, develop and *publish* a model for the roll forward of the regulatory asset base for *distribution systems*, referred to as the *roll forward model*.
- (c) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace the *roll forward model*.
- (d) The *AER* must develop and *publish* the first *roll forward model* within 6 months after the commencement of this clause, and there must be such a model available at all times after that date.

Contents of roll forward model

- (e) The *roll forward model* must set out the method for determining the roll forward of the regulatory asset base for *distribution systems*:
- (1) from the immediately preceding *regulatory control period* to the beginning of the first year of the subsequent *regulatory control period*, so as to establish the value of the regulatory asset base as at the beginning of the first *regulatory year* of that subsequent *regulatory control period*; and
 - (2) from one *regulatory year* in a *regulatory control period* to a subsequent *regulatory year* in that same *regulatory control period*, so as to establish the value of the regulatory asset base as at the beginning of that subsequent *regulatory year*;

under which:

- (3) the roll forward of the regulatory asset base from the immediately preceding *regulatory control period* to the beginning of the first *regulatory year* of a subsequent *regulatory control period* entails the value of the first mentioned regulatory asset base being adjusted for actual inflation, consistently with the method used for the indexation of the control mechanism (or control mechanisms) for *standard control services* during the preceding *regulatory control period*.

Other provisions relating to regulatory asset base

- (f) Other provisions relating to regulatory asset bases are set out in schedule 6.2.

6.5.2 Return on capital

Calculation of return on capital

- (a) The return on capital for each *regulatory year* must be calculated by applying a rate of return for the relevant *Distribution Network Service Provider* for that *regulatory control period* (calculated in accordance with this clause 6.5.2) to the value of the regulatory asset base for the relevant *distribution system* as at the beginning of that *regulatory year* (as established in accordance with clause 6.5.1 and schedule 6.2).

Weighted average cost of capital

- (b) The rate of return for a *Distribution Network Service Provider* for a *regulatory control period* is the cost of capital as measured by the return required by investors in a commercial enterprise with a similar nature and degree of non-diversifiable risk as that faced by the *distribution* business of the provider and must be calculated as a nominal post-tax *weighted average cost of capital* (“WACC”) in accordance with the following formula:

$$\text{WACC} = k_e \frac{E}{V} + k_d \frac{D}{V}$$

where:

k_e is the return on equity (determined using the Capital Asset Pricing Model) and is calculated as:

$$r_f + \beta_e \times \text{MRP}$$

where:

r_f is the nominal risk free rate for the *regulatory control period* determined in accordance with paragraph (c);

β_e is the equity beta; and

MRP is the market risk premium;

k_d is the return on debt and is calculated as:

$$r_f + \text{DRP}$$

where:

DRP is the debt risk premium for the *regulatory control period* determined in accordance with paragraph (e);

E/V is the value of equity as a proportion of the value of equity and debt, which is $1 - D/V$; and

D/V is the value of debt as a proportion of the value of equity and debt.

Meaning of nominal risk free rate

- (c) The nominal risk free rate for a *regulatory control period* is (unless some different provision is made by a relevant *statement of regulatory intent*) the rate determined for that *regulatory control period* by the AER on a moving

average basis from the annualised yield on Commonwealth Government bonds with a maturity of 10 years using:

- (1) the indicative mid rates published by the Reserve Bank of Australia; and
- (2) a period of time which is either:
 - (i) a period ('the **agreed period**') proposed by the relevant *Distribution Network Service Provider*, and agreed by the *AER* (such agreement is not to be unreasonably withheld); or
 - (ii) a period specified by the *AER*, and notified to the provider within a reasonable time prior to the commencement of that period, if the period proposed by the provider is not agreed by the *AER* under subparagraph (i),

and, for the purposes of subparagraph (i):

- (iii) the start date and end date for the agreed period may be kept confidential, but only until the expiration of the agreed period; and
 - (iv) the *AER* must notify the *Distribution Network Service Provider* whether or not it agrees with the proposed period within 30 *business days* of the date of submission of the *building block proposal*.
- (d) If there are no Commonwealth Government bonds with a maturity of 10 years on any day in the period referred to in paragraph (c)(2), the *AER* must (unless some different provision is made by a relevant *statement of regulatory intent*) determine the nominal risk free rate for the *regulatory control period* by interpolating on a straight line basis from the two Commonwealth Government bonds closest to the 10 year term and which also straddle the 10 year expiry date.

Meaning of debt risk premium

- (e) The debt risk premium for a *regulatory control period* is the premium determined for that *regulatory control period* by the *AER* as the margin between the 10 year Commonwealth annualised bond rate and the observed annualised Australian benchmark corporate bond rate for corporate bonds which have a maturity of 10 years and a credit rating from a recognised credit rating agency.

6.5.3 Estimated cost of corporate income tax

The estimated cost of corporate income tax of a *Distribution Network Service Provider* for each *regulatory year* (ETC_t) must be calculated in accordance with the following formula:

$$ETC_t = (ETI_t \times r_t) (1 - \gamma)$$

where:

ETI_t is an estimate of the taxable income for that *regulatory year* that would be earned by a benchmark efficient entity as a result of the provision of *standard control services* if such an entity, rather than the *Distribution Network Service Provider*, operated the business of the *Distribution Network Service Provider*, such estimate being determined in accordance with the *post-tax revenue model*;

r_t is the expected statutory income tax rate for that *regulatory year* as determined by the *AER*; and

γ is the assumed utilisation of imputation credits.

For these purposes:

- (1) the cost of debt must be based on that of a benchmark efficient *Distribution Network Service Provider*; and
- (2) the estimate must take into account the estimated depreciation for that *regulatory year* for *tax* purposes, for a benchmark efficient *Distribution Network Service Provider*, of assets where the value of those assets is included in the regulatory asset base for the relevant *distribution system* for that *regulatory year*.

6.5.4 Review of rate of return

- (a) The *AER* must, in accordance with the *distribution consultation procedures* and this clause, carry out reviews of the matters referred to in paragraph (d).
- (b) The first review is to be concluded by 31 March 2009 and further reviews are to follow at intervals not exceeding, in any case, 5 years.
- (c) The *AER* must, in consequence of a review, issue a statement (a *statement of regulatory intent*) adopting values, methods and credit rating levels for *Distribution Network Service Providers* or for specified classes of *Distribution Network Service Providers*.
- (d) The following matters (and the method of their calculation) may form the subject of a review:
 - (1) the nominal risk free rate referred to in clause 6.5.2(c);
 - (2) the equity beta referred to in clause 6.5.2(b);
 - (3) the market risk premium referred to in clause 6.5.2(b);
 - (4) the maturity period and bond rates referred to in clause 6.5.2(d);
 - (5) the ratio of the value of debt to the value of equity and debt referred to in clause 6.5.2(b);
 - (6) credit rating levels referred to in clause 6.5.2(e);
 - (7) the assumed utilisation of imputation credits referred to in clause 6.5.3.
- (e) In undertaking a review, the *AER* must have regard to:
 - (1) the need for the rate of return calculated for the purposes of clause 6.5.2(b) to be a forward looking rate of return that is commensurate

- with prevailing conditions in the market for funds and the risk involved in providing *standard control services*; and
- (2) the need for the value of debt to reflect the current cost of borrowings for comparable debt; and
 - (3) the need for the values attributable to the parameters referred to in paragraph (d) that vary according to the efficiency of the *Distribution Network Service Provider* to be based on a benchmark efficient *Distribution Network Service Provider*; and
 - (4) where the values attributable to parameters referred to in paragraph (d) cannot be determined with certainty:
 - (i) the need to achieve an outcome that is consistent with the *national electricity objective*; and
 - (ii) the need for persuasive evidence before adopting a value for that parameter that differs from the value that has previously been adopted for it.
- (f) A *statement of regulatory intent* adopting a revised value, method, or credit rating level applies only for the purposes of a *building block proposal* submitted to the *AER* after publication of the *statement of regulatory intent*.
- (g) A distribution determination to which a *statement of regulatory intent* is applicable must be consistent with the statement unless there is persuasive evidence justifying a departure, in the particular case, from a value, method or credit rating level set in the statement.
- (h) In deciding whether a departure from a value, method or credit rating level set in a *statement of regulatory intent* is justified in a distribution determination, the *AER* must consider:
 - (1) the criteria on which the value, method or credit rating level was set in the *statement of regulatory intent* (the ***underlying criteria***); and
 - (2) whether, in the light of the underlying criteria, a material change in circumstances since the date of the statement, or any other relevant factor, now makes a value, method or credit rating level set in the statement inappropriate.
- (i) If the *AER*, in making a distribution determination, in fact departs from a value, method or credit rating level set in a *statement of regulatory intent*, it must:
 - (1) state the substitute value, method or credit rating level in the determination; and
 - (2) demonstrate, in its reasons for the departure, that the departure is justified on the basis of the underlying criteria.

6.5.5 Depreciation

- (a) The depreciation for each *regulatory year*:

- (1) must be calculated on the value of the assets as included in the regulatory asset base, as at the beginning of that *regulatory year*, for the relevant *distribution system*; and
- (2) must be calculated:
 - (i) providing such depreciation schedules conform with the requirements set out in paragraph (b), using the depreciation schedules for each asset or category of assets that are nominated in the relevant *Distribution Network Service Provider's building block proposal*; or
 - (ii) to the extent the depreciation schedules nominated in the provider's *building block proposal* do not so conform, using the depreciation schedules determined for that purpose by the *AER*.
- (b) The depreciation schedules referred to in paragraph (a) must conform to the following requirements:
 - (1) the schedules must depreciate using a profile that reflects the nature of the assets or category of assets over the economic life of that asset or category of assets;
 - (2) the sum of the real value of the depreciation that is attributable to any asset or category of assets over the economic life of that asset or category of assets (such real value being calculated as at the time the value of that asset or category of assets was first included in the regulatory asset base for the relevant *distribution system*) must be equivalent to the value at which that asset or category of assets was first included in the regulatory asset base for the relevant *distribution system*;
 - (3) the economic life of the relevant assets and the depreciation methods and rates underpinning the calculation of depreciation for a given *regulatory control period* must be consistent with those determined for the same assets on a prospective basis in the distribution determination for that period.

6.5.6 Forecast operating expenditure

- (a) A *building block proposal* must include the total forecast operating expenditure for the relevant *regulatory control period* which the *Distribution Network Service Provider* considers is required in order to achieve each of the following (the *operating expenditure objectives*):
 - (1) meet or manage the expected demand for *standard control services* over that period;
 - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *standard control services*;
 - (3) maintain the quality, reliability and security of supply of *standard control services*;

- (4) maintain the reliability, safety and security of the *distribution system* through the supply of *standard control services*.
- (b) The forecast of required operating expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* must:
 - (1) comply with the requirements of any relevant *regulatory information instrument*; and
 - (2) be for expenditure that is properly allocated to *standard control services* in accordance with the principles and policies set out in the *Cost Allocation Method* for the *Distribution Network Service Provider*; and
 - (3) include both:
 - (i) the total of the forecast operating expenditure for the relevant *regulatory control period*; and
 - (ii) the forecast of the operating expenditure for each *regulatory year* of the relevant *regulatory control period*.
 - (c) The *AER* must accept the forecast of required operating expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* if the *AER* is satisfied that the total of the forecast operating expenditure for the *regulatory control period* reasonably reflects:
 - (1) the efficient costs of achieving the *operating expenditure objectives*; and
 - (2) the costs that a prudent operator in the circumstances of the relevant *Distribution Network Service Provider* would require to achieve the *operating expenditure objectives*; and
 - (3) a realistic expectation of the demand forecast and cost inputs required to achieve the *operating expenditure objectives*.
(the *operating expenditure criteria*).
 - (d) If the *AER* is not satisfied as referred to in paragraph (c), it must not accept the forecast of required operating expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal*.
 - (e) In deciding whether or not the *AER* is satisfied as referred to in paragraph (c), the *AER* must have regard to the following (the *operating expenditure factors*):
 - (1) the information included in or accompanying the *building block proposal*;
 - (2) submissions received in the course of consulting on the *building block proposal*;
 - (3) analysis undertaken by or for the *AER* and *published* before the distribution determination is made in its final form;

- (4) benchmark operating expenditure that would be incurred by an efficient *Distribution Network Service Provider* over the *regulatory control period*;
- (5) the actual and expected operating expenditure of the *Distribution Network Service Provider* during any preceding *regulatory control periods*;
- (6) the relative prices of operating and capital inputs;
- (7) the substitution possibilities between operating and capital expenditure;
- (8) whether the total labour costs included in the capital and operating expenditure forecasts for the *regulatory control period* are consistent with the incentives provided by the applicable *service target performance incentive scheme* in respect of the *regulatory control period*;
- (9) the extent the forecast of required operating expenditure of the *Distribution Network Service Provider* is referable to arrangements with a person other than the provider that, in the opinion of the *AER*, do not reflect arm's length terms;
- (10) the extent the *Distribution Network Service Provider* has considered, and made provision for, efficient non-network alternatives.

6.5.7 Forecast capital expenditure

- (a) A *building block proposal* must include the total forecast capital expenditure for the relevant *regulatory control period* which the *Distribution Network Service Provider* considers is required in order to achieve each of the following (the *capital expenditure objectives*):
 - (1) meet or manage the expected demand for *standard control services* over that period;
 - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *standard control services*;
 - (3) maintain the quality, reliability and security of supply of *standard control services*;
 - (4) maintain the reliability, safety and security of the *distribution system* through the supply of *standard control services*.
- (b) The forecast of required capital expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* must:
 - (1) comply with the requirements of any relevant *regulatory information instrument*; and
 - (2) be for expenditure that is properly allocated to *standard control services* in accordance with the principles and policies set out in the

Cost Allocation Method for the Distribution Network Service Provider; and

- (3) include both:
 - (i) the total of the forecast capital expenditure for the relevant *regulatory control period*; and
 - (ii) the forecast of the capital expenditure for each *regulatory year* of the relevant *regulatory control period*; and
 - (4) identify any forecast capital expenditure that is for an option that has satisfied the *regulatory test*.
- (c) The *AER* must accept the forecast of required capital expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* if the *AER* is satisfied that the total of the forecast capital expenditure for the *regulatory control period* reasonably reflects:
- (1) the efficient costs of achieving the *capital expenditure objectives*; and
 - (2) the costs that a prudent operator in the circumstances of the relevant *Distribution Network Service Provider* would require to achieve the *capital expenditure objectives*; and
 - (3) a realistic expectation of the demand forecast and cost inputs required to achieve the *capital expenditure objectives*.
- (the *capital expenditure criteria*)
- (d) If the *AER* is not satisfied as referred to in paragraph (c), it must not accept the forecast of required capital expenditure of a *Distribution Network Service Provider*.
- (e) In deciding whether or not the *AER* is satisfied as referred to in paragraph (c), the *AER* must have regard to the following ('the *capital expenditure factors*')
- (1) the information included in or accompanying the *building block proposal*;
 - (2) submissions received in the course of consulting on the *building block proposal*;
 - (3) analysis undertaken by or for the *AER* and *published* before the distribution determination is made in its final form;
 - (4) benchmark capital expenditure that would be incurred by an efficient *Distribution Network Service Provider* over the *regulatory control period*;
 - (5) the actual and expected capital expenditure of the *Distribution Network Service Provider* during any preceding *regulatory control periods*;
 - (6) the relative prices of operating and capital inputs;

- (7) the substitution possibilities between operating and capital expenditure;
- (8) whether the total labour costs included in the capital and operating expenditure forecasts for the *regulatory control period* are consistent with the incentives provided by the applicable *service target performance incentive scheme* in respect of the *regulatory control period*;
- (9) the extent the forecast of required capital expenditure of the *Distribution Network Service Provider* is referable to arrangements with a person other than the provider that, in the opinion of the *AER*, do not reflect arm's length terms;
- (10) the extent the *Distribution Network Service Provider* has considered, and made provision for, efficient non-network alternatives.

6.5.8 Efficiency benefit sharing scheme

- (a) The *AER* must, in accordance with the *distribution consultation procedures*, develop and *publish* a scheme or schemes (*efficiency benefit sharing scheme*) that provide for a fair sharing between *Distribution Network Service Providers* and *Distribution Network Users* of:
 - (1) the efficiency gains derived from the operating expenditure of *Distribution Network Service Providers* for a *regulatory control period* being less than; and
 - (2) the efficiency losses derived from the operating expenditure of *Distribution Network Service Providers* for a *regulatory control period* being more than,the forecast operating expenditure accepted or substituted by the *AER* for that *regulatory control period*.
- (b) An *efficiency benefit sharing scheme* may (but is not required to) be developed to cover efficiency gains and losses related to capital expenditure or *distribution losses*.
- (c) In developing and implementing an *efficiency benefit sharing scheme*, the *AER* must have regard to:
 - (1) the need to ensure that benefits to consumers likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme for *Distribution Network Service Providers*; and
 - (2) the need to provide *Distribution Network Service Providers* with a continuous incentive, so far as is consistent with economic efficiency, to reduce operating expenditure and, if the scheme extends to capital expenditure, capital expenditure; and
 - (3) the desirability of both rewarding *Distribution Network Service Providers* for efficiency gains and penalising *Distribution Network Service Providers* for efficiency losses; and

- (4) any incentives that *Distribution Network Service Providers* may have to capitalise expenditure; and
 - (5) the possible effects of the scheme on incentives for the implementation of non-network alternatives.
- (d) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace an *efficiency benefit sharing scheme*.

6.5.9 The X factor

- (a) A *building block determination* is to include the X factor for each control mechanism for each *regulatory year* of the *regulatory control period*.
- (b) The X factor:
 - (1) must be set by the *AER* with regard to the *Distribution Network Service Provider's total revenue requirement* for the *regulatory control period*; and
 - (2) must be such as to minimise, as far as reasonably possible, variance between expected revenue for the last *regulatory year* of the *regulatory control period* and the *annual revenue requirement* for that last *regulatory year*; and
 - (3) must conform with whichever of the following requirements is applicable:
 - (i) if the control mechanism relates generally to *standard control services* – the X factor must be designed to equalise (in terms of net present value) the revenue to be earned by the *Distribution Network Service Provider* from the provision of *standard control services* over the *regulatory control period* with the provider's *total revenue requirement* for the *regulatory control period*;
 - (ii) if there are separate control mechanisms for different *standard control services* – the X factor for each control mechanism must be designed to equalise (in terms of net present value) the revenue to be earned by the *Distribution Network Service Provider* from the provision of *standard control services* to which the control mechanism relates over the *regulatory control period* with the portion of the provider's *total revenue requirement* for the *regulatory control period* attributable to those services.
- (c) There may be different X factors:
 - (1) for different regulatory years of the regulatory control period; and
 - (2) if there are 2 or more control mechanisms – for each control mechanism.

6.6 Adjustments after making of building block determination.

6.6.1 Cost pass through

- (a) If a *positive change event* occurs, a *Distribution Network Service Provider* may seek the approval of the *AER* to pass through to *Distribution Network Users* a *positive pass through amount*.
- (b) If a *negative change event* occurs, the *AER* may require the *Distribution Network Service Provider* to pass through to *Distribution Network Users* a *negative pass through amount* as determined by the *AER* under paragraph (g).

Positive pass through

- (c) To seek the approval of the *AER* to pass through a *positive pass through amount*, a *Distribution Network Service Provider* must submit to the *AER*, within 90 *business days* of the relevant *positive change event* occurring, a written statement which specifies:
 - (1) the details of the *positive change event*; and
 - (2) the date on which the *positive change event* occurred; and
 - (3) the *eligible pass through amount* in respect of that *positive change event*; and
 - (4) the *positive pass through amount* the provider proposes in relation to the *positive change event*; and
 - (5) the amount of the *positive pass through amount* that the provider proposes should be passed through to *Distribution Network Users* in each *regulatory year* during the *regulatory control period*; and
 - (6) evidence:
 - (i) of the actual and likely increase in costs referred to in subparagraph (3); and
 - (ii) that such costs occur solely as a consequence of the *positive change event*; and
 - (7) such other information as may be required under any relevant *regulatory information instrument*.
- (d) If the *AER* determines that a *positive change event* has occurred in respect of a statement under paragraph (c), the *AER* must determine:
 - (1) the *approved pass through amount*; and
 - (2) the amount of that *approved pass through amount* that should be passed through to *Distribution Network Users* in each *regulatory year* during the *regulatory control period*,
taking into account the matters referred to in paragraph (j).
- (e) If the *AER* does not make the determinations referred to in paragraph (d) within 60 *business days* from the date it receives the *Distribution Network*

Service Provider's statement and accompanying evidence under paragraph (c), then, on the expiry of that period, the AER is taken to have determined that:

- (1) the *positive pass through amount* as proposed in the provider's statement under paragraph (c) is the *approved pass through amount* in respect of that *positive change event*; and
- (2) the amount of that *positive pass through amount* that the provider proposes in its statement under paragraph (c) should be passed through to *Distribution Network Users* in each *regulatory year* during the *regulatory control period*, is the amount that should be so passed through in each such *regulatory year*.

Negative pass through

- (f) A *Distribution Network Service Provider* must submit to the AER, within 90 *business days* of becoming aware of the occurrence of a *negative change event* for the provider, a written statement which specifies:
 - (1) the details of the *negative change event* concerned; and
 - (2) the date the *negative change event* occurred; and
 - (3) the costs in the provision of *standard control services* that the provider has saved and is likely to save until the end of the *regulatory control period* as a result of the *negative change event*; and
 - (4) the aggregate amount of those saved costs that the provider proposes should be passed through to *Distribution Network Users*; and
 - (5) the amount of the costs referred to in subparagraph (4) the provider proposes should be passed through to *Distribution Network Users* in each *regulatory year* during the *regulatory control period*; and
 - (6) such other information as may be required under any relevant *regulatory information instrument*.
- (g) If a *negative change event* occurs (whether or not the occurrence of that *negative change event* is notified by the provider to the AER under paragraph (f)) and the AER determines to impose a requirement on the provider in relation to that *negative change event* as described in paragraph (b), the AER must determine:
 - (1) the *required pass through amount*; and
 - (2) taking into account the matters referred to in paragraph (j):
 - (i) how much of that *required pass through amount* should be passed through to *Distribution Network Users* (the *negative pass through amount*); and
 - (ii) the amount of that *negative pass through amount* that should be passed through to *Distribution Network Users* in each *regulatory year* during the *regulatory control period*.

- (h) A *Distribution Network Service Provider* must provide the *AER* with such information as the *AER* requires for the purpose of making a determination under paragraph (g) within the time specified by the *AER* in a notice provided to the provider by the *AER* for that purpose.

Consultation

- (i) Before making a determination under paragraph (d) or (g), the *AER* may consult with the relevant *Distribution Network Service Provider* and such other persons as the *AER* considers appropriate, on any matters arising out of the relevant *pass through event* the *AER* considers appropriate.

Relevant factors

- (j) In making a determination under paragraph (d) or (g) in respect of a *Distribution Network Service Provider*, the *AER* must take into account:
- (1) the matters and proposals set out in any statement given to the *AER* by the provider under paragraph (c) or (f); and
 - (2) in the case of a *positive change event*, the increase in costs in the provision of *standard control services* that the provider has incurred and is likely to incur until the end of the *regulatory control period* as a result of the *positive change event*; and
 - (3) in the case of a *positive change event*, the efficiency of the provider's decisions and actions in relation to the risk of the *positive change event*, including whether the provider has failed to take any action that could reasonably be taken to reduce the magnitude of the *eligible pass through amount* in respect of that *positive change event* and whether the provider has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that *positive change event*; and
 - (4) the time cost of money based on the *weighted average cost of capital* for the provider for the relevant *regulatory control period*; and
 - (5) the need to ensure that the provider only recovers any actual or likely increment in costs under this paragraph (j) to the extent that such increment is solely as a consequence of a *pass through event*; and
 - (6) in the case of a *tax change event*, any change in the way another *tax* is calculated, or the removal or imposition of another *tax*, which, in the *AER*'s opinion, is complementary to the *tax change event* concerned; and
 - (7) whether the costs of the *pass through event* have already been factored into the calculation of the provider's *annual revenue requirement*; and
 - (8) any other factors the *AER* considers relevant.

Extension of time limits

- (k) The *AER* must, by written notice to a *Distribution Network Service Provider*, extend a time limit fixed in clause 6.6.1(c) or clause 6.6.1(f) if the

AER is satisfied that the difficulty of assessing or quantifying the effect of the relevant *pass through event* justifies the extension.

6.6.2 Service target performance incentive scheme

- (a) The *AER* must, in accordance with the *distribution consultation procedures*, develop and *publish* an incentive scheme or incentive schemes (*service target performance incentive scheme*) to provide incentives (which may include targets) for *Distribution Network Service Providers* to maintain and improve performance.
- (b) In developing and implementing a *service target performance incentive scheme*, the *AER*:
 - (1) must consult with the authorities responsible for the administration of relevant *jurisdictional electricity legislation*; and
 - (2) must ensure that service standards and service targets (including guaranteed service levels) set by the scheme do not put at risk the *Distribution Network Service Provider's* ability to comply with relevant service standards and service targets (including guaranteed service levels) as specified in *jurisdictional electricity legislation*; and

Note:

A service target performance incentive scheme operates concurrently with any average or minimum service standards and guaranteed service level schemes that apply to the Distribution Network Service Provider under jurisdictional electricity legislation.

- (3) must take into account:
 - (i) the need to ensure that benefits to consumers likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme for *Distribution Network Service Providers*; and
 - (ii) any *regulatory obligation or requirement* to which the *Distribution Network Service Provider* is subject; and
 - (iii) the past performance of the *distribution network*; and
 - (iv) any other incentives available to the *Distribution Network Service Provider* under the *Rules* or a relevant distribution determination; and
 - (v) the need to ensure that the incentives are sufficient to offset any financial incentives the service provider may have to reduce costs at the expense of service levels; and
 - (vi) the willingness of the customer or end user to pay for improved performance in the delivery of services; and
 - (vii) the possible effects of the scheme on incentives for the implementation of non-network alternatives.

- (c) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace any scheme that is developed and *published* under this clause.

Note:

A Distribution Network Service Provider is not precluded from entering into a contract with a third party (such as a network support service provider) under which the benefits of a service target performance incentive scheme are passed on to the third party, or the third party is required to indemnify the provider for penalties to which the provider becomes liable under the scheme.

6.6.3 Demand management incentive scheme

- (a) The *AER* may, in accordance with the *distribution consultation procedures*, develop and *publish* an incentive scheme or schemes (*demand management incentive scheme*) to provide incentives for *Distribution Network Service Providers* to implement efficient non-network alternatives or to manage the expected demand for *standard control services* in some other way.
- (b) In developing and implementing a *demand management incentive scheme*, the *AER* must have regard to:
- (1) the need to ensure that benefits to consumers likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme for *Distribution Network Service Providers*; and
 - (2) the effect of a particular control mechanism (i.e. price – as distinct from revenue – regulation) on a *Distribution Network Service Provider's* incentives to adopt or implement efficient non-network alternatives; and
 - (3) the extent the *Distribution Network Service Provider* is able to offer efficient pricing structures; and
 - (4) the possible interaction between a *demand management incentive scheme* and other incentive schemes; and
 - (5) the willingness of the customer or end user to pay for increases in costs resulting from implementation of the scheme.
- (c) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace any scheme that is developed and *published* under this clause.
- (d) Nothing in this clause limits the content of an *efficiency benefit sharing scheme*.

Part D Negotiated distribution services

6.7 Negotiated distribution services

6.7.1 Principles relating to access to negotiated distribution services

The following principles constitute the *Negotiated Distribution Service Principles*:

- (1) the price for a *negotiated distribution service* should be based on the costs incurred in providing that service, determined in accordance with the principles and policies set out in the *Cost Allocation Method* for the relevant *Distribution Network Service Provider*;
- (2) subject to subparagraphs (3) and (4), the price for a *negotiated distribution service* should be at least equal to the cost that would be avoided by not providing the service but no more than the cost of providing it on a stand alone basis;
- (3) if the *negotiated distribution service* is the provision of a *shared distribution service* that:
 - (i) exceeds the *network* performance requirements (if any) which that *shared distribution service* is required to meet under any *jurisdictional electricity legislation*; or
 - (ii) exceeds the *network* performance requirements set out in schedules 5.1a and 5.1,

then the differential between the price for that service and the price for the *shared distribution service* which meets (but does not exceed) the *network* performance requirements under any *jurisdictional electricity legislation* or as set out in schedules 5.1a and 5.1 (as the case may be) should reflect the increase in the *Distribution Network Service Provider's* incremental cost of providing that service;

- (4) if the *negotiated distribution service* is the provision of a *shared distribution service* that does not meet (and does not exceed) the *network* performance requirements set out in schedules 5.1a and 5.1, the differential between the price for that service and the price for the *shared distribution service* which meets (but does not exceed) the *network* performance requirements set out in schedules 5.1a and 5.1 should reflect the cost the *Distribution Network Service Provider* would avoid by not providing that service;
- (5) the price for a *negotiated distribution service* must be the same for all *Distribution Network Users* unless there is a material difference in the costs of providing the *negotiated distribution service* to different *Distribution Network Users* or classes of *Distribution Network Users*;
- (6) the price for a *negotiated distribution service* should be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person, in which case the adjustment should reflect the extent to which the costs of that asset are being recovered through charges to that other person;

- (7) the price for a *negotiated distribution service* should be such as to enable the *Distribution Network Service Provider* to recover the efficient costs of complying with all *regulatory obligations or requirements* associated with the provision of the *negotiated distribution service*;
- (8) any *access charges* should be based on the costs reasonably incurred by the *Distribution Network Service Provider* in providing *distribution network user access* and, in the case of compensation referred to in clause 5.5(f)(4)(ii) and (iii), on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs;
- (9) the *terms and conditions of access* for a *negotiated distribution service* should be fair and reasonable and consistent with the safe and reliable operation of the *power system* in accordance with the *Rules* (for these purposes, the price for a *negotiated distribution service* is to be treated as being fair and reasonable if it complies with principles (1) to (7) of this clause);
- (10) the *terms and conditions of access* for a *negotiated distribution service* (including, in particular, any exclusions and limitations of liability and indemnities) must not be unreasonably onerous taking into account the allocation of risk between the *Distribution Network Service Provider* and the other party, the price for the *negotiated distribution service* and the costs to the *Distribution Network Service Provider* of providing the *negotiated distribution service*;
- (11) the *terms and conditions of access* for a *negotiated distribution service* should take into account the need for the service to be provided in a manner that does not adversely affect the safe and reliable operation of the *power system* in accordance with the *Rules*.

6.7.2 Determination of terms and conditions of access for negotiated distribution services

- (a) A *Distribution Network Service Provider* must comply with:
 - (1) the provider's *negotiating framework*; and
 - (2) the provider's *Negotiated Distribution Service Criteria*,when the provider is negotiating the *terms and conditions of access* to *negotiated distribution services*.
- (b) The *Distribution Network Service Provider* must also comply with any other applicable requirements of the *Rules*, including the requirements of:
 - (1) rules 5.3 and 5.5, when negotiating for the provision of *connection services* and the associated *connection service charges*; and
 - (2) rule 5.5 when negotiating the *use of system services charges* and *access charges* to be paid to or by a *Distribution Network User*.

6.7.3 Negotiating framework determination

The determination specifying requirements relating to the *negotiating framework* forming part of a distribution determination for a *Distribution Network Service Provider* is to set out requirements that are to be complied with in respect of the preparation, replacement, application or operation of its *negotiating framework*.

6.7.4 Negotiated Distribution Service Criteria determination

- (a) The determination by the *AER* specifying the *Negotiated Distribution Service Criteria* forming part of a distribution determination for a *Distribution Network Service Provider* is to set out the criteria that are to be applied:
- (1) by the provider in negotiating *terms and conditions of access* including:
 - (i) the prices that are to be charged for the provision of *negotiated distribution services* by the provider for the relevant *regulatory control period*; or
 - (ii) any *access charges* which are negotiated by the provider during that *regulatory control period*; and
 - (2) by the *AER* in resolving an access dispute about *terms and conditions of access* including:
 - (i) the price that is to be charged for the provision of a *negotiated distribution service* by the provider; or
 - (ii) any *access charges* that are to be paid to or by the provider.
- (b) The *Negotiated Distribution Service Criteria* must give effect to and be consistent with the *Negotiated Distribution Service Principles* set out in clause 6.7.1.

6.7.5 Preparation of and requirements for negotiating framework for negotiated distribution services

- (a) A *Distribution Network Service Provider* must prepare a document (the *negotiating framework*) setting out the procedure to be followed during negotiations between that provider and any person (the *Service Applicant* or applicant) who wishes to receive a *negotiated distribution service* from the provider, as to the *terms and conditions of access* for the provision of the service.
- (b) The *negotiating framework* for a *Distribution Network Service Provider* must comply with and be consistent with:
- (1) the applicable requirements of the relevant distribution determination; and

Note:

See clause 6.7.3.

- (2) paragraph (c), which sets out the minimum requirements for a *negotiating framework*.
- (c) The *negotiating framework* for a *Distribution Network Service Provider* must specify:
 - (1) a requirement for the provider and a *Service Applicant* to negotiate in good faith the *terms and conditions of access* to a *negotiated distribution service*; and
 - (2) a requirement for the provider to provide all such commercial information a *Service Applicant* may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the *negotiated distribution service*, including the cost information described in subparagraph (3); and
 - (3) a requirement for the provider:
 - (i) to identify and inform a *Service Applicant* of the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the *negotiated distribution service*; and
 - (ii) to demonstrate to a *Service Applicant* that the charges for providing the *negotiated distribution service* reflect those costs and/or the cost increment or decrement (as appropriate); and
 - (iii) to have appropriate arrangements for assessment and review of the charges and the basis on which they are made; and

Note:

If (for example) a charge, or an element of a charge, is based on a customer's actual or assumed maximum demand, the assessment and review arrangements should allow for a change to the basis of the charge so that it more closely reflects the customer's load profile where a reduction or increase in maximum demand has been demonstrated.

- (4) a requirement for a *Service Applicant* to provide all commercial information the provider may reasonably require to enable the provider to engage in effective negotiation with that applicant for the provision of the *negotiated distribution service*; and
- (5) a requirement that negotiations with a *Service Applicant* for the provision of the *negotiated distribution service* be commenced and finalised within specified periods and a requirement that each party to the negotiations must make reasonable endeavours to adhere to the specified time limits; and
- (6) a process for dispute resolution which provides that all disputes as to the *terms and conditions of access* for the provision of *negotiated distribution services* are to be dealt with in accordance with the relevant provisions of the Law and the *Rules* for dispute resolution; and

- (7) the arrangements for payment by a *Service Applicant* of the provider's reasonable direct expenses incurred in processing the application to provide the *negotiated distribution service*; and
 - (8) a requirement that the *Distribution Network Service Provider* determine the potential impact on other *Distribution Network Users* of the provision of the *negotiated distribution service*; and
 - (9) a requirement that the *Distribution Network Service Provider* must notify and consult with any affected *Distribution Network Users* and ensure that the provision of *negotiated distribution services* does not result in non-compliance with obligations in relation to other *Distribution Network Users* under the *Rules*; and
 - (10) a requirement that the *Distribution Network Service Provider* publish the results of negotiations on its website.
- (d) Notwithstanding the foregoing, the *negotiating framework* must not be inconsistent with any of the requirements of *Rules 5.3 and 5.5* and other relevant provisions of this Chapter 6 and, in the event of any inconsistency, those requirements prevail.
- (e) Each *Distribution Network Service Provider* and *Service Applicant* who is negotiating for the provision of a *negotiated distribution service* by the provider must comply with the requirements of the *negotiating framework* in accordance with its terms.

6.7.6 Confidential information

- (a) Commercial information to be provided to a *Service Applicant* in accordance with clause 6.7.5(c)(2):
- (1) does not include *confidential information* provided to the *Distribution Network Service Provider* by another person; and
 - (2) may be provided subject to a condition that the *Service Applicant* must not provide any part of that commercial information to any other person without the consent of the *Distribution Network Service Provider*.
- (b) Commercial information to be provided to a *Distribution Network Service Provider* in accordance with clause 6.7.5(c)(4):
- (1) does not include *confidential information* provided to a *Service Applicant* by another person; and
 - (2) may be provided subject to a condition that the provider must not provide any part of that commercial information to any other person without the consent of the *Service Applicant*.

Part E Regulatory proposal

6.8 Regulatory proposal

6.8.1 AER's framework and approach paper

- (a) The *AER* must prepare and *publish* a document (a *framework and approach paper*) in anticipation of every distribution determination.
- (b) The *framework and approach paper* should set out the *AER*'s likely approach (together with its reasons for the likely approach), in the forthcoming distribution determination, to:
 - (1) the classification of *distribution services* in accordance with Part B; and
 - (2) the application to the *Distribution Network Service Provider* of a *service target performance incentive scheme* or *schemes*; and
 - (3) the application to the *Distribution Network Service Provider* of an *efficiency benefit sharing scheme* or *schemes*; and
 - (4) the application to the *Distribution Network Service Provider* (if applicable) of a *demand management incentive scheme* or *schemes*; and
 - (5) any other matters on which the *AER* thinks fit to give an indication of its likely approach.
- (c) The *framework and approach paper* must state the form (or forms) of the control mechanisms to be applied by the distribution determination and the *AER*'s reasons for deciding on control mechanisms of the relevant form (or forms).
- (ca) The *framework and approach paper* must include the *AER*'s determination under clause 6.25(b) as to whether or not Part J of Chapter 6A is to be applied to determine the pricing of *transmission standard control services* provided by any *dual function assets* owned, controlled or operated by the *Distribution Network Service Provider*.
- (d) A *framework and approach paper* is to be prepared in consultation with the relevant *Distribution Network Service Provider* and with other interested stakeholders.
- (e) The *AER* should complete its *framework and approach paper* for a particular *distribution network* sufficiently in advance of the making of the relevant distribution determination to enable it to be of use to the *Distribution Network Service Provider* in preparing its *regulatory proposal*.
- (f) If a distribution determination is currently in force, the *AER* must commence preparation of, and consultation on, the *framework and approach paper* for the distribution determination that is to supersede it at least 24 months before the end of the current *regulatory control period* and must complete preparation at least 19 months before the end of that *regulatory control period*.
- (g) On completing its *framework and approach paper*, the *AER* must:

- (1) give a copy to the *Distribution Network Service Provider*; and
 - (2) *publish* it.
- (h) Subject to clause 6.12.3, a *framework and approach paper* is not binding on the *AER* or a *Distribution Network Service Provider*.

6.8.2 Submission of regulatory proposal

- (a) A *Distribution Network Service Provider* must, whenever required to do so under paragraph (b), submit a *regulatory proposal* to the *AER* for *distribution services* provided by means of, or in connection with, the provider's *distribution system*.
- (b) A *regulatory proposal* must be submitted:
- (1) at least 13 months before the expiry of a distribution determination that applies to the service provider; or
 - (2) if no distribution determination applies to the service provider, within 3 months after being required to do so by the *AER*.
- (c) A *regulatory proposal* must include (but need not be limited to) the following elements:
- (1) a classification proposal:
 - (i) showing how the *distribution services* to be provided by the *Distribution Network Service Provider* should, in the provider's opinion, be classified under this Chapter; and
 - (ii) if the proposed classification differs from the classification suggested in the relevant *framework and approach paper* – including the reasons for the difference; and
 - (2) for *direct control services* classified under the proposal as *standard control services* – a *building block proposal*; and
 - (3) for *direct control services* classified under the proposal as *alternative control services* – a demonstration of the application of the control mechanism, as set out in the *framework and approach paper*, and the necessary supporting information; and
 - (4) for *direct control services* – indicative prices for each year of the *regulatory control period*; and
 - (5) for services classified under the proposal as *negotiated distribution services* – the proposed *negotiating framework*; and
 - (6) an indication of the parts of the proposal (if any) the *Distribution Network Service Provider* claims to be confidential and wants suppressed from publication on that ground.
- (d) The *regulatory proposal* must comply with the requirements of, and must contain or be accompanied by the information required by any relevant *regulatory information instrument*.

- (e) If more than one *distribution system* is owned, controlled or operated by a *Distribution Network Service Provider*, then, unless the *AER* otherwise determines, a separate *regulatory proposal* is to be submitted for each *distribution system*.
- (f) If, at the commencement of this Chapter, different parts of the same *distribution system* were separately regulated, then, unless the *AER* otherwise determines, a separate *regulatory proposal* is to be submitted for each part as if it were a separate *distribution system*.

6.9 Preliminary examination and consultation

6.9.1 Preliminary examination

- (a) If the *AER* considers that a *regulatory proposal* (or the accompanying information) does not comply, in any respect, with a requirement of the Law or the *Rules*, the *AER* may notify the provider that it requires resubmission of the proposal.
- (b) The notice must be given as soon as practicable and must state why, and in what respects, the *AER* considers the *regulatory proposal* to be non-compliant.

6.9.2 Resubmission of proposal

- (a) A *Distribution Network Service Provider* must, within 20 *business days* after receiving a notice under clause 6.9.1, resubmit its *regulatory proposal* in an amended form that complies with the relevant requirements set out in the notice.
- (b) A *Distribution Network Service Provider* may only make changes to its *regulatory proposal* to address the deficiencies identified in the notice.

6.9.3 Consultation

- (a) Subject to the provisions of the Law and the *Rules* about the disclosure of *confidential information*, the *AER* must *publish* a *regulatory proposal* submitted or resubmitted to it by the provider under this Part, together with:
 - (1) the *AER's* proposed *Negotiated Distribution Service Criteria* for the provider; and
 - (2) an invitation for written submissions on the *regulatory proposal* and the proposed *Negotiated Distribution Service Criteria*,after the *AER* decides that the *regulatory proposal* complies (or that there is sufficient compliance) with the requirements of the Law and the *Rules*.
- (b) The *AER* may *publish* an issues paper examining issues related to the *regulatory proposal* and the proposed *Negotiated Distribution Service Criteria*, at the same time as, or subsequent to, *publication* of the invitation referred to in paragraph (a)(2).

- (c) Any person may make a written submission to the *AER* on the *regulatory proposal* or the proposed *Negotiated Distribution Service Criteria* within the time specified in the invitation referred to in paragraph (a)(2), which must be not earlier than 30 *business days* after the invitation for submissions is *published* under that paragraph.

6.10 Draft distribution determination and further consultation

6.10.1 Making of draft distribution determination

Subject to rule 6.14(a), the *AER* must consider any written submissions made under rule 6.9 and must make a draft distribution determination in relation to the *Distribution Network Service Provider*.

6.10.2 Publication of draft determination and consultation

- (a) The *AER* must *publish*:
 - (1) the draft distribution determination; and
 - (2) notice of the making of the draft distribution determination; and
 - (3) the *AER*'s reasons for suggesting that the distribution determination should be made as proposed including the draft constituent decisions i.e. the decisions made in accordance with rule 6.12 on which the draft distribution determination is predicated; and
 - (4) notice of a predetermination conference; and
 - (5) an invitation for written submissions on its draft distribution determination.
- (b) The *AER* must hold a predetermination conference at the time, date and place specified in the notice under paragraph (a)(4) for the purpose of explaining the draft distribution determination and receiving oral submissions from interested parties. Any person may attend such a predetermination conference but the procedure to be adopted at the conference will be at the discretion of the senior *AER* representative in attendance.
- (c) Any person may make a written submission to the *AER* on the draft distribution determination within the time specified in the invitation referred to in paragraph (a)(5), which must be not earlier than 30 *business days* after the making of the draft determination.

6.10.3 Submission of revised proposal

- (a) In addition to making written submissions, the *Distribution Network Service Provider* may, not more than 30 *business days* after the publication of the draft distribution determination, submit a revised *regulatory proposal* to the *AER*.
- (b) A *Distribution Network Service Provider* may only make the revisions referred to in paragraph (a) so as to incorporate the substance of any

changes required to address matters raised by the draft distribution determination or the *AER's* reasons for it.

- (c) A revised *regulatory proposal* must comply with the requirements of, and must contain or be accompanied by the information required by, any relevant *regulatory information instrument*.
- (d) Subject to the provisions of the Law and the *Rules* about the disclosure of *confidential information*, the *AER* must *publish* a revised *regulatory proposal* submitted by the *Distribution Network Service Provider* under paragraph (a), together with the accompanying information, as soon as practicable after receipt by the *AER*.
- (e) The *AER* may, but need not, invite written submissions on the revised *regulatory proposal*.

6.11 Distribution determination

6.11.1 Making of distribution determination

Subject to rule 6.14(a), the *AER* must consider any submissions made on the draft distribution determination, or on any revised *regulatory proposal* submitted to it under clause 6.10.3, and must make a distribution determination in relation to the *Distribution Network Service Provider*.

6.11.2 Notice of distribution determination

The *AER* must as soon as practicable, but not later than 2 months before the commencement of the relevant *regulatory control period*, *publish*:

- (1) notice of the making of the distribution determination; and
- (2) the distribution determination itself; and
- (3) the *AER's* reasons for making the distribution determination in its final form including the constituent decisions i.e. the decisions made in accordance with rule 6.12 on which the distribution determination is predicated.

6.11.3 Commencement of distribution determination

- (a) A distribution determination takes effect at the commencement of the *regulatory control period* to which it relates.
- (b) If a period intervenes between the end of one *regulatory control period* and the commencement of a new distribution determination providing for the next *regulatory control period*:
 - (1) the previous distribution determination continues in force during the intervening period; and
 - (2) the previous *approved pricing proposal* continues in force (despite any contrary provision of these *Rules*) during the intervening period and the first *regulatory year* of the later *regulatory control period*; and

- (3) the later distribution determination is to make provision for appropriate adjustments to the *approved pricing proposals* for subsequent *regulatory years* of the *regulatory control period*.

6.12 Requirements relating to draft and final distribution determinations

6.12.1 Constituent decisions

A distribution determination is predicated on the following decisions by the AER (*constituent decisions*):

- (1) a decision on the classification of the services to be provided by the *Distribution Network Service Provider* during the course of the *regulatory control period*;
- (2) a decision on the *Distribution Network Service Provider's* current *building block proposal* in which the AER either approves or refuses to approve:
 - (i) the *annual revenue requirement* for the provider, as set out in the *building block proposal*, for each *regulatory year* of the *regulatory control period*; and
 - (ii) the commencement and length of the *regulatory control period* as proposed in the *building block proposal*;
- (3) a decision in which the AER either:
 - (i) acting in accordance with clause 6.5.7(c), accepts the total of the forecast capital expenditure for the *regulatory control period* that is included in the current *building block proposal*; or
 - (ii) acting in accordance with clause 6.5.7(d), does not accept the total of the forecast capital expenditure for the *regulatory control period* that is included in the current *building block proposal*, in which case the AER must set out its reasons for that decision and an estimate of the total of the *Distribution Network Service Provider's* required capital expenditure for the *regulatory control period* that the AER is satisfied reasonably reflects the *capital expenditure criteria*, taking into account the *capital expenditure factors*;
- (4) a decision in which the AER either:
 - (i) acting in accordance with clause 6.5.6(c), accepts the total of the forecast operating expenditure for the *regulatory control period* that is included in the current *building block proposal*; or
 - (ii) acting in accordance with clause 6.5.6(d), does not accept the total of the forecast operating expenditure for the *regulatory control period* that is included in the current *building block proposal*, in which case the AER must set out its reasons for that decision and an estimate of the total of the *Distribution Network*

Service Provider's required operating expenditure for the *regulatory control period* that the *AER* is satisfied reasonably reflects the *operating expenditure criteria*, taking into account the *operating expenditure factors*;

- (5) a decision in relation to the rate of return on whether to apply or depart from a value, method or credit rating level set out in a *statement of regulatory intent* in accordance with clause 6.5.4;
- (6) a decision on the regulatory asset base as at the commencement of the *regulatory control period* in accordance with clause 6.5.1 and schedule 6.2;
- (7) a decision on the estimated cost of corporate income tax to the provider for each *regulatory year* of the *regulatory control period* in accordance with clause 6.5.3 and, where relevant, a *statement of regulatory intent* under clause 6.5.4;
- (8) a decision on whether or not to approve the depreciation schedules submitted by the *Distribution Network Service Provider* and, if the *AER* decides against approving them, a decision determining depreciation schedules in accordance with clause 6.5.5(b);
- (9) a decision on how any applicable *efficiency benefit sharing scheme*, *service target performance incentive scheme*, or *demand management incentive scheme* is to apply to the *Distribution Network Service Provider*;
- (10) a decision in which the *AER* decides other appropriate amounts, values or inputs;
- (11) a decision on the control mechanism (including the X factor) for *standard control services* (to be in accordance with the relevant *framework and approach paper*);
- (12) a decision on the control mechanism for *alternative control services* (to be in accordance with the relevant *framework and approach paper*);
- (13) a decision on how compliance with a relevant control mechanism is to be demonstrated;
- (14) a decision on the additional *pass through events* that are to apply for the *regulatory control period*;
- (15) a decision on the *negotiating framework* that is to apply to the *Distribution Network Service Provider* for the *regulatory control period* (which may be the *negotiating framework* as proposed by the provider, some variant of it, or a framework substituted by the *AER*);
- (16) a decision in which the *AER* decides the *Negotiated Distribution Service Criteria* for the *Distribution Network Service Provider*;

- (17) a decision on the procedures for assigning customers to *tariff classes*, or reassigning customers from one *tariff class* to another (including any applicable restrictions);
- [\(17A\) a decision on the approval of the proposed pricing methodology for transmission standard control services \(if rule 6.26 applies\);](#)
- (18) a decision on whether depreciation for establishing the regulatory asset base as at the commencement of the following *regulatory control period* is to be based on actual or forecast capital expenditure;
- (19) a decision on how the *Distribution Network Service Provider* is to report to the *AER* on its recovery of *Transmission Use of System* charges for each *regulatory year* of the *regulatory control period* and on the adjustments to be made to subsequent *pricing proposals* to account for over or under recovery of those charges.

6.12.2 Reasons for decisions

The reasons given by the *AER* for a draft distribution determination under rule 6.10 or a final distribution determination under rule 6.11 must set out the basis and rationale of the determination, including:

- (1) details of the qualitative and quantitative methods applied in any calculations and formulae made or used by the *AER*; and
- (2) the values adopted by the *AER* for each of the input variables in any calculations and formulae, including:
 - (i) whether those values have been taken or derived from the provider's current *building block proposal*; and
 - (ii) if not, the rationale for the adoption of those values; and
- (3) details of any assumptions made by the *AER* in undertaking any material qualitative and quantitative analyses; and
- (4) reasons for the making of any decisions, the giving or withholding of any approvals, and the exercise of any discretions, as referred to in this Chapter 6, for the purposes of the determination.

6.12.3 Extent of AER's discretion in making distribution determinations

- (a) Subject to this clause and other provisions of this Chapter 6 explicitly negating or limiting the *AER's* discretion, the *AER* has a discretion to accept or approve, or to refuse to accept or approve, any element of a *regulatory proposal*.
- (b) The classification of services must be as set out in the relevant *framework and approach paper* unless the *AER* considers that, in the light of the *Distribution Network Service Provider's regulatory proposal* and the submissions received, there are good reasons for departing from the classification proposed in that paper.

- (c) The control mechanisms must be as set out in the relevant *framework and approach paper*.
- (d) The AER must approve the *total revenue requirement* for a *Distribution Network Service Provider* for a *regulatory control period*, and the *annual revenue requirement* for each *regulatory year* of the *regulatory control period*, as set out in the provider's current *building block proposal*, if the AER is satisfied that those amounts have been properly calculated using the *post-tax revenue model* on the basis of amounts calculated, determined or forecast in accordance with the requirements of Part C of this Chapter 6.
- (e) The AER must approve a proposed *regulatory control period* if the proposed period consists of 5 *regulatory years*.
- (f) If the AER refuses to approve an amount or value referred to in clause 6.12.1, the substitute amount or value on which the distribution determination is based must be:
 - (1) determined on the basis of the current *regulatory proposal*; and
 - (2) amended from that basis only to the extent necessary to enable it to be approved in accordance with the *Rules*.
- (g) The AER must approve a proposed *negotiating framework* if the AER is satisfied that it adequately complies with the requirements of Part D.
- (h) If the AER refuses to approve the proposed *negotiating framework*, the approved amended *negotiating framework* must be:
 - (1) determined on the basis of the current proposed *negotiating framework*; and
 - (2) amended from that basis only to the extent necessary to enable it to be approved in accordance with the *Rules*.

6.13 Revocation and substitution of distribution determination for wrong information or error

- (a) The AER may (but is not required to) revoke a distribution determination during a *regulatory control period* if it appears to the AER that the determination is affected by a material error or deficiency of one or more of the following kinds:
 - (1) a clerical mistake or an accidental slip or omission;
 - (2) a miscalculation or misdescription;
 - (3) a defect in form;
 - (4) a deficiency resulting from the provision of false or materially misleading information to the AER.
- (b) If the AER revokes a distribution determination under paragraph (a), the AER must make a new distribution determination in substitution for the revoked determination to apply for the remainder of the *regulatory control period* for which the revoked determination was to apply.

- (c) If the *AER* revokes a distribution determination under paragraph (a), the substituted determination must only vary from the revoked determination to the extent necessary to correct the relevant error or deficiency.
- (d) The *AER* may only revoke and substitute a distribution determination under this rule 6.13, if it has first consulted with the relevant *Distribution Network Service Provider* and such other persons as it considers appropriate.

6.14 Miscellaneous

- (a) The *AER* may, but is not required to, consider any submission made pursuant to an invitation for submissions after the time for making the submission has expired.
- (b) Nothing in this Part E is to be construed as precluding the *AER* from *publishing* any issues, consultation and discussion papers, or holding any conferences and information sessions, that the *AER* considers appropriate.
- (c) Subject to paragraph (d), as soon as practicable after the *AER* receives a submission in response to an invitation referred to in clause 6.9.3(a)(2) or 6.10.2(a)(5) (whether or not the submission was made before the time for making it has expired), the *AER* must *publish* that submission.
- (d) The *AER* must not *publish* a submission referred to in paragraph (c) to the extent it contains information which has been clearly identified as confidential by the person making the submission.
- (e) The *AER* may give such weight to *confidential information* identified in accordance with paragraph (d) in a submission as it considers appropriate, having regard to the fact that such information has not been made publicly available.
- (f) Paragraph (d) does not apply to the extent that any other provision of the Law or the *Rules* permits or requires such information to be publicly released by the *AER*.

Part F Cost Allocation

6.15 Cost allocation

6.15.1 Duty to comply with Cost Allocation Method

A *Distribution Network Service Provider* must comply with the *Cost Allocation Method* that has been approved in respect of that provider from time to time by the *AER* under this rule 6.15.

6.15.2 Cost Allocation Principles

The following principles constitute the *Cost Allocation Principles*:

- (1) the detailed principles and policies used by a *Distribution Network Service Provider* to allocate costs between different categories of *distribution services* must be described in sufficient detail to enable

- the *AER* to replicate reported outcomes through the application of those principles and policies;
- (2) the allocation of costs must be determined according to the substance of a transaction or event rather than its legal form;
 - (3) only the following costs may be allocated to a particular category of *distribution services*:
 - (i) costs which are directly attributable to the provision of those services;
 - (ii) costs which are not directly attributable to the provision of those services but which are incurred in providing those services, in which case such costs must be allocated to the provision of those services using an appropriate allocator which should:
 - (A) except to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be causation based; and
 - (B) to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be an allocator that accords with a well accepted cost allocation method;
 - (4) any cost allocation method which is used, the reasons for using that method and the numeric quantity (if any) of the chosen allocator must be clearly described;
 - (5) the same cost must not be allocated more than once;
 - (6) the principles, policies and approach used to allocate costs must be consistent with the *Distribution Ring-Fencing Guidelines*;
 - (7) costs which have been allocated to a particular service cannot be reallocated to another service during the course of a *regulatory control period*.

Note

The Cost Allocation Guidelines are required by clause 6.15.3 to give effect to and be consistent with, the Cost Allocation Principles.

6.15.3 Cost Allocation Guidelines

- (a) The *AER* must, in accordance with the *distribution consultation procedures*, make guidelines (the *Cost Allocation Guidelines*) relating to the preparation by a *Distribution Network Service Provider* of its *Cost Allocation Method*.
- (b) The *Cost Allocation Guidelines*:
 - (1) must give effect to and be consistent with the *Cost Allocation Principles*; and
 - (2) may be amended by the *AER* from time to time in accordance with the *distribution consultation procedures*.

- (c) Without limiting the generality of paragraph (b), the *Cost Allocation Guidelines* may specify:
 - (1) the format of a *Cost Allocation Method*; and
 - (2) the detailed information that is to be included in a *Cost Allocation Method*; and
 - (3) the categories of *distribution services* which are to be separately addressed in a *Cost Allocation Method*, such categories being determined by reference to the nature of those services, the persons to whom those services are provided or such other factors as the *AER* considers appropriate; and
 - (4) the allocation methods which are acceptable and the supporting information that is to be included in relation to such methodologies in a *Cost Allocation Method*.
- (d) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace the *Cost Allocation Guidelines*.
- (e) The *AER* must, in accordance with the *distribution consultation procedures*, develop and *publish* the first *Cost Allocation Guidelines* within 6 months after the commencement of these *Rules* and there must be *Cost Allocation Guidelines* available at all times after that date.

6.15.4 Cost Allocation Method

- (a) Each *Distribution Network Service Provider* must submit to the *AER* for its approval a document setting out its proposed *Cost Allocation Method*:
 - (1) within 12 months after the commencement of these *Rules*; or
 - (2) in the case of an entity that becomes a *Distribution Network Service Provider* more than 6 months after the commencement of these *Rules*, within 6 months of being required to do so by the *AER*.
- (b) The *Cost Allocation Method* proposed by a *Distribution Network Service Provider* must give effect to and be consistent with the *Cost Allocation Guidelines*.
- (c) The *AER* may approve or refuse to approve a *Cost Allocation Method* submitted under paragraph (a).
- (d) The *AER* must notify the relevant *Distribution Network Service Provider* of its decision to approve or refuse to approve the *Cost Allocation Method* submitted to it under paragraph (a) within 6 months of its submission, failing which the *AER* will be taken to have approved it.
- (e) As part of giving any approval referred to in paragraph (c), the *AER* may, after consulting with the relevant *Distribution Network Service Provider*, amend the *Cost Allocation Method* submitted to it, in which case the *Cost Allocation Method* as so amended will be taken to be approved by the *AER*.

- (f) A *Distribution Network Service Provider* may, with the *AER*'s approval, amend its *Cost Allocation Method* from time to time but:
 - (1) the amendment:
 - (i) may be approved on condition that the *Distribution Network Service Provider* agree to incorporate into the amendment specified additional changes to the *Cost Allocation Method* the *AER* reasonably considers necessary or desirable as a result of the amendment as submitted; and
 - (ii) if approved on such a condition, does not take effect unless and until the *Distribution Network Service Provider* notifies the *AER* of its agreement; and
 - (2) if 6 months elapse from the date of the submission of the amendment and the *AER* has not notified the *Distribution Network Service Provider* within that period of its approval or refusal to approve the amendment, the amendment is, at the end of that period, conclusively presumed to have been unconditionally approved.
- (g) A *Distribution Network Service Provider* must amend its *Cost Allocation Method* where the amendment is required by the *AER* to take into account any change to the *Cost Allocation Guidelines*, but the amendment only comes into effect:
 - (1) on the date that the *AER* approves that amendment, or 3 months after the submission of the amendment, whichever is the earlier; and
 - (2) subject to additional changes to the *Cost Allocation Method* (if any) the *AER* reasonably considers necessary or desirable as a result of the amendment and notifies to the *Distribution Network Service Provider* before the amendment takes effect.
- (h) A *Distribution Network Service Provider* must maintain a current copy of its *Cost Allocation Method* on its website.

Part G Distribution consultation procedures

6.16 Distribution consultation procedures

- (a) This rule 6.16 applies wherever the *AER* is required to comply with the *distribution consultation procedures*. For the avoidance of doubt, the *distribution consultation procedures* are separate from, and (where they are required to be complied with) apply to the exclusion of, the *Rules* consultation procedures under rule 8.9.
- (b) If the *AER* is required to comply with the *distribution consultation procedures* in making, developing or amending any guidelines, models or schemes, or in reviewing any values or methods, it must *publish*:
 - (1) the proposed guideline, model, scheme, amendment or revised value or method; and

- (2) an explanatory statement that sets out the provision of the *Rules* under or for the purposes of which the guideline, model, scheme or amendment is proposed to be made or developed or the value or method is required to be reviewed, and the reasons for the proposed guideline, model, scheme, amendment or revised value or method; and
 - (3) an invitation for written submissions on the proposed guideline, model, scheme, amendment or revised value or method.
- (c) The invitation must allow no less than 30 *business days* for the making of submissions, and the *AER* is not required to consider any submission made pursuant to that invitation after this time period has expired.
- (d) The *AER* may *publish* such issues, consultation and discussion papers, and hold such conferences and information sessions, in relation to the proposed guideline, model, scheme, amendment or revised value or method as it considers appropriate.
- (e) Within 80 *business days* of *publishing* the documents referred to in paragraph (b), the *AER* must *publish*:
- (1) its final decision on the guideline, model, scheme, amendment, value or method that sets out:
 - (i) the guideline, model, scheme, amendment or revised value or method (if any); and
 - (ii) the provision of the *Rules* under which or for the purposes of which the guideline, model, scheme or amendment is being made or developed or the value or method is being reviewed; and
 - (iii) the reasons for the guideline, model, scheme, amendment value or method; and
 - (2) notice of the making of the final decision on the guideline, model, scheme, amendment, value or method.
- (f) Subject to paragraph (c), the *AER* must, in making its final decision referred to in paragraph (e)(1), consider any submissions made pursuant to the invitation for submissions referred to in paragraph (b)(3), and the reasons referred to in paragraph (e)(1)(iii) must include:
- (1) a summary of each issue raised in those submissions that the *AER* reasonably considers to be material; and
 - (2) the *AER*'s response to each such issue.
- (g) The *AER* may extend the time within which it is required to publish its final decision if:
- (1) the consultation involves questions of unusual complexity or difficulty; or
 - (2) the extension of time has become necessary because of circumstances beyond the *AER*'s control.

Part H Ring-Fencing Arrangements for Distribution Network Service Providers

6.17 Distribution Ring-Fencing Guidelines

6.17.1 Compliance with Distribution Ring-Fencing Guidelines

All *Distribution Network Service Providers* must comply with the *Distribution Ring-Fencing Guidelines* prepared in accordance with clause 6.17.2.

6.17.2 Development of Distribution Ring-Fencing Guidelines

- (a) Guidelines may be developed by the AER for the accounting and functional separation of the provision of *direct control services* by *Distribution Network Service Providers* from the provision of other services by *Distribution Network Service Providers* (the *Distribution Ring-Fencing Guidelines*). The guidelines may vary in application as between different *participating jurisdictions*.

Note:

Clause 11.14.5 will have a bearing on the application of these guidelines in certain cases.

- (b) The *Distribution Ring-Fencing Guidelines* may include, but are not limited to:
- (1) provisions defining the need for and extent of:
 - (i) legal separation of the entity through which a *Distribution Network Service Provider* provides *network services* from any other entity through which it conducts business; and
 - (ii) the establishment and maintenance of consolidated and separate accounts for *standard control services*, *alternative control services* and other services provided by the *Distribution Network Service Provider*; and
 - (iii) allocation of costs between *standard control services*, *alternative control services* and other services provided by the *Distribution Network Service Provider*; and
 - (iv) limitations on the flow of information between the *Distribution Network Service Provider* and any other person; and
 - (v) limitations on the flow of information where there is the potential for a competitive disadvantage between those parts of the *Distribution Network Service Provider's* business which provide *direct control services* and parts of the provider's business which provide any other services; and
 - (2) provisions allowing the AER to add to or to waive a *Distribution Network Service Provider's* obligations under the *Distribution Ring-Fencing Guidelines*.

- (c) In developing or amending the *Distribution Ring-Fencing Guidelines* the *AER* must consider, without limitation, the need, so far as practicable, for consistency between the *Distribution Ring-Fencing Guidelines* and the *Transmission Ring-Fencing Guidelines*.
- (d) In developing or amending the *Distribution Ring-Fencing Guidelines*, the *AER* must consult with *participating jurisdictions*, *Registered Participants*, *NEMMCO* and other *interested parties*, and such consultation must be otherwise in accordance with the *distribution consultation procedures*.

Part I Distribution Pricing Rules

6.18 Distribution Pricing Rules

6.18.1 Application of this Part

This Part applies to tariffs and *tariff classes* related to *direct control services*.

6.18.2 Pricing proposals

- (a) A *Distribution Network Service Provider* must:
 - (1) submit to the *AER*, as soon as practicable, and in any case within 15 *business days*, after *publication* of the distribution determination, a *pricing proposal* (the "*initial pricing proposal*") for the first *regulatory year* of the *regulatory control period*; and
 - (2) submit to the *AER*, at least 2 months before the commencement of the second and each subsequent *regulatory year* of the *regulatory control period*, a further *pricing proposal* (an "*annual pricing proposal*") for the relevant *regulatory year*.
- (b) A *pricing proposal* must:
 - (1) set out the *tariff classes* that are to apply for the relevant *regulatory year*; and
 - (2) set out the proposed tariffs for each *tariff class*; and
 - (3) set out, for each proposed tariff, the *charging parameters* and the elements of service to which each *charging parameter* relates; and
 - (4) set out, for each *tariff class* related to *standard control services*, the expected weighted average revenue for the relevant *regulatory year* and also for the current *regulatory year*; and
 - (5) set out the nature of any variation or adjustment to the tariff that could occur during the course of the *regulatory year* and the basis on which it could occur; and
 - (6) set out how charges incurred by the *Distribution Network Service Provider* for *transmission use of system services* are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous *regulatory year*; and

- (7) demonstrate compliance with the *Rules* and any applicable distribution determination; and
 - (8) describe the nature and extent of change from the previous *regulatory year* and demonstrate that the changes comply with the *Rules* and any applicable distribution determination.
- (c) The *AER* must on receipt of a *pricing proposal* from a *Distribution Network Service Provider* publish the proposal.

6.18.3 Tariff classes

- (a) A *pricing proposal* must define the *tariff classes* into which customers for *direct control services* are divided.
- (b) Each customer for *direct control services* must be a member of 1 or more *tariff classes*.
- (c) Separate *tariff classes* must be constituted for customers to whom *standard control services* are supplied and customers to whom *alternative control services* are supplied (but a customer for both *standard control services* and *alternative control services* may be a member of 2 or more *tariff classes*).
- (d) A *tariff class* must be constituted with regard to:
 - (1) the need to group customers together on an economically efficient basis; and
 - (2) the need to avoid unnecessary transaction costs.

6.18.4 Principles governing assignment or re-assignment of customers to tariff classes and assessment and review of basis of charging

- (a) In formulating provisions of a distribution determination governing the assignment of customers to *tariff classes* or the re-assignment of customers from one *tariff class* to another, the *AER* must have regard to the following principles:
 - (1) customers should be assigned to *tariff classes* on the basis of one or more of the following factors:
 - (i) the nature and extent of their usage;
 - (ii) the nature of their *connection* to the *network*;
 - (iii) whether remotely-read interval metering or other similar metering technology has been installed at the customer's premises as a result of a *regulatory obligation or requirement*;
 - (2) customers with a similar *connection* and usage profile should be treated on an equal basis;
 - (3) however, customers with micro-generation facilities should be treated no less favourably than customers without such facilities but with a similar load profile;

- (4) a *Distribution Network Service Provider's* decision to assign a customer to a particular *tariff class*, or to re-assign a customer from one *tariff class* to another should be subject to an effective system of assessment and review.

Note:

If (for example) a customer is assigned (or reassigned) to a tariff class on the basis of the customer's actual or assumed maximum demand, the system of assessment and review should allow for the reassignment of a customer who demonstrates a reduction or increase in maximum demand to a tariff class that is more appropriate to the customer's load profile.

- (b) If the *charging parameters* for a particular tariff result in a basis of charge that varies according to the usage or load profile of the customer, a distribution determination must contain provisions for an effective system of assessment and review of the basis on which a customer is charged.

6.18.5 Pricing principles

- (a) For each *tariff class*, the revenue expected to be recovered should lie on or between:
- (1) an upper bound representing the stand alone cost of serving the customers who belong to that class; and
 - (2) a lower bound representing the avoidable cost of not serving those customers.
- (b) A tariff, and if it consists of 2 or more *charging parameters*, each *charging parameter* for a *tariff class*:
- (1) must take into account the long run marginal cost for the service or, in the case of a *charging parameter*, for the element of the service to which the *charging parameter* relates; and
 - (2) must be determined having regard to:
 - (i) transaction costs associated with the tariff or each *charging parameter*; and
 - (ii) whether customers of the relevant *tariff class* are able or likely to respond to price signals.
- (c) If, however, as a result of the operation of paragraph (b), the *Distribution Network Service Provider* may not recover the expected revenue, the provider must adjust its tariffs so as to ensure recovery of expected revenue with minimum distortion to efficient patterns of consumption.

6.18.6 Side constraints on tariffs for standard control services

- (a) This clause applies only to *tariff classes* related to the provision of *standard control services*.
- (b) The expected weighted average revenue to be raised from a *tariff class* for a particular *regulatory year* of a *regulatory control period* must not exceed

the corresponding expected weighted average revenue for the preceding *regulatory year* by more than the permissible percentage.

- (c) The permissible percentage is the greater of the following:
- (1) the CPI-X limitation on any increase in the *Distribution Network Service Provider's* expected weighted average revenue between the two *regulatory years* plus 2%;
Note:
The calculation is of the form $(1 + CPI)(1 - X)(1 + 2\%)$
 - (2) CPI plus 2%.
Note:
The calculation is of the form $(1 + CPI)(1 + 2\%)$
- (d) In deciding whether the permissible percentage has been exceeded in a particular *regulatory year*, the following are to be disregarded:
- (1) the recovery of revenue to accommodate a variation to the distribution determination under rule 6.6 or 6.13;
 - (2) the recovery of revenue to accommodate pass through of charges for *transmission use of system services* to customers.
- (e) This clause does not, however, limit the extent a tariff for customers with remotely-read interval metering or other similar metering technology may vary according to the time or other circumstances of the customer's usage.

6.18.7 Recovery of charges for transmission use of system services

- (a) A *pricing proposal* must provide for tariffs designed to pass on to customers the charges to be incurred by the *Distribution Network Service Provider* for *transmission use of system services*.
- (b) The amount to be passed on to customers for a particular *regulatory year* must not exceed the estimated amount of the *transmission use of system* charges for the relevant *regulatory year* adjusted for over or under recovery in the previous *regulatory year*.
- (c) The extent of the over or under recovery is the difference between:
 - (1) the amount actually paid by the *Distribution Network Service Provider* by way of *transmission use of system* charges in the previous *regulatory year*; and
 - (2) the amount passed on to customers by way of *transmission use of system* charges by the *Distribution Network Service Provider* in the previous *regulatory year*.

6.18.8 Approval of pricing proposal

- (a) The *AER* must approve a *pricing proposal* if the *AER* is satisfied that:

- (1) the proposal complies with this Part and any applicable distribution determination; and
 - (2) all forecasts associated with the proposal are reasonable.
- (b) If the *AER* determines that a *pricing proposal* is deficient:
- (1) the *AER* may require the *Distribution Network Service Provider*, within 10 *business days* after receiving notice of the determination, to re-submit the proposal with the amendments necessary to correct the deficiencies identified in the determination and (unless the *AER* permits further amendment) no further amendment; or
 - (2) the *AER* may itself make the amendments necessary to correct the deficiencies.
- (c) If the service provider fails to comply with a requirement under paragraph (b), or the resubmitted proposal fails to correct the deficiencies in the former proposal, the *AER* may itself amend the proposal to bring it into conformity with the requirements of this Part and any applicable distribution determination.
- (d) An *approved pricing proposal* takes effect:
- (1) in the case of an initial *pricing proposal* – at the commencement of the first *regulatory year* of the *regulatory control period* for which the distribution determination is made; and
 - (2) in the case of an annual *pricing proposal* – at the commencement of the *regulatory year* to which the proposal relates.

Note:

The operation of this paragraph may, in some instances, be displaced or modified by clause 6.11.3(b).

6.18.9 Publication of information about tariffs and tariff classes

- (a) A *Distribution Network Service Provider* must maintain on its website:
- (1) a statement of the provider's *tariff classes* and the tariffs applicable to each class; and
 - (2) for each tariff – the *charging parameters* and the elements of the service to which each *charging parameter* relates; and
 - (3) a statement of expected price trends (to be updated for each *regulatory year*) giving an indication of how the *Distribution Network Service Provider* expects prices to change over the *regulatory control period* and the reasons for the expected changes.
- (b) The information for a particular *regulatory year* must, if practicable, be posted on the website 20 *business days* before the commencement of the relevant *regulatory year* and, if that is not practicable, as soon as practicable thereafter.

6.19. Data Required for Distribution Service Pricing

6.19.1 Forecast use of networks by Distribution Customers and Embedded Generators

Any information required by *Distribution Network Service Providers* must be provided by *Service Applicants* as part of the *connection* and access requirements set out in Chapter 5.

6.19.2 Confidentiality of distribution network pricing information

- (a) Subject to the Law and the *Rules*, all information about a *Service Applicant* or *Distribution Network User* used by *Distribution Network Service Providers* for the purposes of *distribution service* pricing is confidential information and must be treated in accordance with rule 8.6.
- (b) No requirement in this Chapter 6 to publish information about a *tariff class* is to be construed as requiring publication of information about an individual customer.

Part J Billing and Settlements

6.20 Billing and Settlements Process

This clause describes the manner in which *Distribution Customers* and *Embedded Generators* are billed by *Distribution Network Service Providers* for *distribution services* and how payments for *distribution services* are settled.

6.20.1 Billing for distribution services

- (a) A *Distribution Network Service Provider* must bill *Distribution Network Users* for *distribution services* as follows:

- (1) *Embedded Generators*:

- (i) by applying the *entry charge* as a fixed annual charge to each *Embedded Generator*; and
- (ii) by applying any other charge the *Distribution Network Service Provider* makes consistently with these *Rules* and the applicable distribution determination.

- (2) *Distribution Customers*:

The charges to *Distribution Customers* must be determined according to use of the *distribution network* as determined in accordance with a *metrology procedure* or, in the absence of a *metrology procedure* allowing such a determination to be made, by *meter* or by agreement between the *Distribution Customer* and the *Distribution Network Service Provider* by applying one or more of the following measures:

- (i) demand-based prices to the *Distribution Customer's* metered or agreed half-hourly demand;

- (ii) energy-based prices to the *Distribution Customer's* metered or agreed energy;
 - (iii) the *Distribution Customer* charge determined under this clause as a fixed periodic charge to each *Distribution Customer*;
 - (iv) a fixed periodic charge, a prepayment or other charge determined by agreement with the *Distribution Customer*;
 - (v) any other measure the *Distribution Network Service Provider* is authorised to apply by the applicable distribution determination.
- (b) Subject to paragraph (c), where a *Distribution Customer* (other than a *Market Customer*) incurs *distribution service* charges, the *Distribution Network Service Provider* must bill the *Market Customer* from whom the *Distribution Customer* purchases electricity directly or indirectly for such *distribution services* in accordance with paragraph (a)(2).
- (c) If a *Distribution Customer* and the *Market Customer* from whom it purchases electricity agree, the *Distribution Network Service Provider* may bill the *Distribution Customer* directly for *distribution services* used by that *Distribution Customer* in accordance with paragraph (a)(2).
- (d) *Distribution Network Service Providers* must:
- (1) calculate *transmission service charges* and *distribution service charges* for all *connection points* in their *distribution network*; and
 - (2) pay to *Transmission Network Service Providers* the *transmission service charges* incurred in respect of use of a *transmission network* at each *connection point* on the relevant *transmission network*.
- (e) Charges for *distribution services* based on metered kW, kWh, kVA, or kVAh for:
- (1) *Embedded Generators* that are *Market Generators*; and
 - (2) *Market Customer*; and
 - (3) *Second-Tier Customers*;
- must be calculated by the *Distribution Network Service Provider* from:
- (1) *settlements ready data* obtained from *NEMMCO's metering database*, for those *Embedded Generators*, *Market Customers* and *Second-Tier Customers* with *connection points* that have a type 1, 2, 3 or 4 *metering installation*; and
 - (2) *energy data*, in accordance with a *metrology procedure* that allows the *Distribution Network Service Provider* to use *energy data* for this purpose, or otherwise *settlements ready data* obtained from *NEMMCO's metering database*, for those *Embedded Generators*, *Market Customers* and *Second-Tier Customers* with *connection points* that have a type 5, 6 or 7 *metering installation*.

- (f) Charges for *distribution services* based on metered kW, kWh, kVA or kVAh for:
 - (1) *Embedded Generators* that are not *Market Generators*; and
 - (2) *Non-Registered Customers*; and
 - (3) *franchise customers*,must be calculated by the *Distribution Network Service Provider* using data that is consistent with the *metering data* used by the relevant *Local Retailer* in determining *energy settlements*.
- (g) The *Distribution Network Service Provider* may bill the relevant *Local Retailer* for *distribution services* used by *Non-Registered Customers* and *franchise customers*.
- (h) Where the billing for a *Distribution Customer* 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.
- (i) Where the previous year's billing quantities are unavailable or no longer suitable, nominated quantities may be used as agreed between the parties.

6.20.2 Minimum information to be provided in distribution network service bills

The following is the minimum information that must be provided with a bill for a *network coupling point* issued by a *Distribution Network Service Provider* directly to a *Registered Participant*:

- (1) the *network coupling point* identifier; and
- (2) the dates on which the billing period starts and ends; and
- (3) the identifier of the *distribution service* price from which the *network coupling point* charges are calculated; and
- (4) measured quantities, billed quantities, prices and amounts charged for each component of the total *distribution service* account.

6.20.3 Settlement between Distribution Network Service Providers

The billing and settlement process specified in this clause must be applied to all *Distribution Customers* including other *Distribution Network Service Providers*.

6.20.4 Obligation to pay

A *Distribution Network User* must pay *distribution service* charges properly charged to it and billed in accordance with this clause by the due date specified in the bill.

Part K Prudential requirements, capital contributions and prepayments

6.21 Distribution Network Service Provider Prudential Requirements

This clause sets out the arrangements by which *Distribution Network Service Providers* may minimise financial risks associated with investment in *network assets* and provides for adoption of cost-reflective payment options in conjunction with the use of average distribution prices. The clause also prevents *Distribution Network Service Providers* from receiving income twice for the same assets through prudential requirements and *distribution service* prices.

6.21.1 Prudential requirements for distribution network service

- (a) A *Distribution Network Service Provider* may require an *Embedded Generator* or *Distribution Customer* that requires a new *connection* or a modification in service for an existing *connection* to establish prudential requirements for *connection service* and/or *distribution use of system service*.
- (b) Prudential requirements for *connection service* and/or *distribution use of system service* are a matter for negotiation between the *Distribution Network Service Provider* and the *Embedded Generator* or *Distribution Customer* and the terms agreed must be set out in the *connection agreement* between the *Distribution Network Service Provider* and the *Embedded Generator* or *Distribution Customer*.
- (c) The *connection agreement* may include one or more of the following provisions:
 - (1) the conditions under which and the time frame within which other *Distribution Network Users* who use that part of the *distribution network* contribute to refunding all or part of the payments;
 - (2) the conditions under which financial arrangements may be terminated; and
 - (3) the conditions applying in the event of default by the *Distribution Customer* or *Embedded Generator*.
- (d) The prudential requirements may incorporate, but are not limited to, one or more of the following arrangements:
 - (1) financial capital contributions;
 - (2) non-cash contributions;
 - (3) *distribution service* charge prepayments;
 - (4) guaranteed minimum *distribution service charges* for an agreed period;
 - (5) guaranteed minimum *distribution service* quantities for an agreed period;

- (6) provision for financial guarantees for *distribution service charges*.

6.21.2 Capital contributions, prepayments and financial guarantees

Despite any other provision in this Chapter, in relation to capital contributions, prepayments and financial guarantees:

- (1) the *Distribution Network Service Provider* is not entitled to recover, under a mechanism for the economic regulation of *direct control services*, any component representing asset related costs for assets provided by *Distribution Network Users*; and
- (2) the *Distribution Network Service Provider* may receive a capital contribution, prepayment and/or financial guarantee up to the provider's future revenue related to the provision of *direct control services* for any new assets installed as part of a new *connection* or modification to an existing *connection*, including any *augmentation* to the *distribution network*; and
- (3) where assets have been the subject of a contribution or prepayment, the *Distribution Network Service Provider* must amend the provider's revenue related to the provision of *direct control services*.

6.21.3 Treatment of past prepayments and capital contributions

- (a) Payments made by *Distribution Customers* and *Embedded Generators* for *distribution service* prior to 13 December 1998 must be made in accordance with any contractual arrangements with the relevant *Distribution Network Service Providers* applicable at that time.
- (b) Where contractual arrangements referred to in clause 6.22.2(a) are not in place, past *distribution service* prepayments or capital contributions may be incorporated in the capital structure of the *Distribution Network Service Provider's* business.
- (c) The *AER* may intervene in and resolve any dispute under this clause which cannot be resolved between the relevant *Distribution Network Service Provider* and *Distribution Customer* or *Embedded Generator*.

Part L Dispute resolution

6.22.1 Dispute Resolution by the AER

- (a) A dispute between a *Distribution Network Service Provider* and a *Service Applicant* as to the *terms and conditions of access* to a *direct control service* or to a *negotiated distribution service* is an access dispute for the purposes of Part 10 of the Law.
- (b) A dispute between a *Distribution Network Service Provider* and a *Service Applicant* about *access charges* is an access dispute for the purposes of Part 10 of the Law.

- (c) A dispute between a *Distribution Network Service Provider* and a *Connection Applicant* about matters referred to in clause 5.5(f) or clause 5.5(h) is an access dispute for the purposes of Part 10 of the Law.

6.22.2 Determination of dispute

- (a) In determining an access dispute about *terms and conditions of access* to a *direct control service*, the *AER* must apply:
- (1) in relation to price, the *Distribution Network Service Provider's approved pricing proposal*; and
 - (2) in relation to other terms and conditions, Chapters 4, 5, this Chapter 6 and Chapter 7 of the *Rules* and any other *applicable regulatory instrument*; and
 - (3) in relation to all *terms and conditions of access* (including price) the decisions of *NEMMCO* or the *AER* where those decisions relate to those terms and conditions and are made under Chapters 4, 5, this Chapter 6 and Chapter 7 of the *Rules*.
- (b) In determining an access dispute about the *terms and conditions of access* to a *direct control service*, the *AER* may:
- (1) have regard to other matters the *AER* considers relevant; and
 - (2) hear evidence or receive submissions from *NEMMCO* about *power system security* and from *Distribution Network Users* who may be adversely affected.

Note:

Section 130 of the Law requires the AER, in making an access determination, to give effect to a network revenue or pricing determination applicable to the services that are the subject of the dispute even though the determination may not have been in force when the dispute arose.

- (c) In determining an access dispute about *terms and conditions of access* to a *negotiated distribution service*, the *AER* must apply:
- (1) in relation to price (including *access charges*), the *Negotiated Distribution Service Criteria* that are applicable to the dispute in accordance with the relevant distribution determination; and
 - (2) in relation to other terms and conditions, the *Negotiated Distribution Service Criteria* that are applicable to the dispute and Chapters 4, 5, this Chapter 6 and Chapter 7 of the *Rules*; and
 - (3) in relation to all *terms and conditions of access* (including price) the decisions of *NEMMCO* or the *AER* where those decisions relate to those terms and conditions and are made under Chapters 4, 5, this Chapter 6 and Chapter 7 of the *Rules*;

and must have regard:

- (4) to the relevant *negotiating framework* prepared by the *Distribution Network Service Provider* and approved by the *AER*.
- (d) In determining an access dispute about the *terms and conditions of access* to a *negotiated distribution service*, the *AER* may:
 - (1) have regard to other matters the *AER* considers relevant; and
 - (2) hear evidence or receive submissions from *NEMMCO* and *Distribution Network Users* notified and consulted under the *Distribution Network Service Provider's negotiating framework*.
- (e) In determining an access dispute about *access charges*, or involving *access charges*, the *AER* must give effect to the following principle:

Access charges should be based on the costs reasonably incurred by the *Distribution Network Service Provider* in providing *distribution network user access* and, where they consist of compensation referred to in clause 5.5(f)(4)(ii) and (iii), on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs.

6.22.3 Termination of access dispute without access determination

- (a) If the *AER* considers that an access dispute could be effectively resolved by some means other than an access determination, the *AER* may give the parties to the dispute notice of the alternative means of resolving the dispute.

Example:

The AER might give such a notice if of the opinion that a particular dispute could be dealt with more efficiently, and with less expense, by a jurisdictional ombudsman.

- (b) The giving of such a notice is a specified dispute termination circumstance for the purposes of section 131(3) of the Law.

Note:

It follows that the AER may exercise its power to terminate the dispute without making an access determination (See section 131(1)(d) of the Law).

Part M Separate disclosure of transmission and distribution charges

6.23 Separate disclosure of transmission and distribution charges

- (a) *A Distribution Customer:*
 - (1) with a *load* greater than 10MW or 40GWh per annum; or
 - (2) with *metering* equipment capable of capturing relevant *transmission* and *distribution system* usage data,

may make a request (a *TUOS/DUOS disclosure request*) to a *Distribution Network Service Provider* to provide the *Distribution Customer* with a statement (a *TUOS/DUOS disclosure statement*) identifying the separate components of the *transmission use of system* and *distribution use of system* charges comprised in the charges for electricity supplied to the *Distribution Customer's connection points*.

- (b) Within 10 *business days* of receipt of a *TUOS/DUOS disclosure request*, a *Distribution Network Service Provider* must notify the *Distribution Customer* of the estimated charge (including details of how the charge is calculated) for providing the *TUOS/DUOS disclosure statement*. The charge must be no greater than the reasonable costs directly incurred by the *Distribution Network Service Provider* in preparing the statement for the *Distribution Customer*.
- (c) If the *Distribution Customer* advises the *Distribution Network Service Provider* within 20 *business days* of receipt of the notice referred to in paragraph (b) that it still requires the requested *TUOS/DUOS disclosure statement*, the *Distribution Network Service Provider* must prepare the statement and provide it to the *Distribution Customer* within 20 *business days* of being so advised. The *TUOS/DUOS disclosure statement* must include detailed information on the method used to determine the *distribution use of system* charges and the allocation of the *transmission use of system* charges to the *Distribution Customer* for electricity supplied to its *connection points*. The information must be sufficient to allow the *Distribution Customer* to assess the impact on its *network* charges of a change in its *network* use.
- (d) The *TUOS/DUOS disclosure statement* must also separately identify the amounts that have been allocated to the *Distribution Customer's connection points* under Part J of Chapter 6A in respect of each of the *categories of prescribed transmission services*, where the *Distribution Customer* requests this information.
- (e) Where the *Distribution Customer* requests the information referred to in paragraph (d), the *Distribution Network Service Provider* must separately identify the component of the charge notified under paragraph (b) that relates to the provision of the additional information.
- (f) Each *Distribution Network Service Provider* must publish information annually disclosing the *transmission use of system* and *distribution use of system* charges for each of the classes of *Distribution Customers* identified for this purpose by the *Distribution Network Service Provider*, or as required by the *AER*.

Part N Dual Function Assets

6.24 Introduction to Part N

6.24.1 Application of this Part

This Part applies to *Distribution Network Service Providers* which own, control or operate both a *distribution system* and a *dual function asset*.

6.24.2 Dual Function Assets

Subject to rule 6.26, for the purposes of Chapters 6 and 6A:

- (a) any part of a *network* owned, operated or controlled by a *Distribution Network Service Provider* which operates between 66 kV and 220 kV and which operates in parallel, and provides support, to the higher voltage *transmission network* is deemed to be a *dual function asset*;
- (b) any service that is provided by a *Distribution Network Service Provider* by means of, or in connection with, the *Distribution Network Service Provider's dual function assets* that, but for this Part, would be a *prescribed transmission service* for the purposes of Chapter 6A is deemed to be a *standard control service*;
- (c) any service that is provided by a *Distribution Network Service Provider* by means of, or in connection with, the *Distribution Network Service Provider's dual function assets* that, but for this Part, would be a *negotiated transmission service* under Chapter 6A is deemed to be a *negotiated distribution service*; and
- (d) references to *prescribed transmission services* do not include a service provided by means of, or in connection with, a *dual function asset*.

6.25 AER determination of applicable pricing regime for Dual Function Assets

- (a) A *Distribution Network Service Provider* which owns, controls or operates *dual function assets* must advise the *AER* at least 24 months prior to the end of the current *regulatory control period* of the value of that *Distribution Network Service Provider's dual function assets* which provide *standard control services* that would be *prescribed transmission services* were it not for the operation of clause 6.24.2 (referred to as *transmission standard control services*). The value to be advised is the value ascribed to the relevant *dual function assets* in the relevant *Distribution Network Service Provider's* regulatory asset base as at the start of the *regulatory year* which commences 24 months prior to the end of the current *regulatory control period*.
- (b) The *AER* must review the information provided under paragraph (a) and determine, following consultation with the relevant *Distribution Network Service Provider* and with other interested parties in the course of preparing the *framework and approach paper* for that *Distribution Network Service*

Provider, whether the value of that *Distribution Network Service Provider's dual function assets* which provide *transmission standard control services* comprise such a material proportion of that *Distribution Network Service Provider's* regulatory asset base that pricing in respect of those services should be regulated under Part J of Chapter 6A through the application of rule 6.26.

- (c) In making its determination under paragraph (b) the AER must consider:
- (1) whether regulating the pricing of the *transmission standard control services* provided by a *Distribution Network Service Provider's dual function assets*:
 - (i) under Part I of Chapter 6 as though they were *prescribed distribution services*; rather than
 - (ii) under Part J of Chapter 6A as though they were *prescribed transmission services*,
will result in materially different prices for *Distribution Customers* (including those connected directly to the relevant *dual function assets* and those connected to other *distribution networks*);
 - (2) whether the materiality of the different prices is likely to impact on future consumption, production and investment decisions by actual or potential *Network Users*; and
 - (3) any other matter that the AER considers relevant.
- (d) The AER's determination under paragraph (b) must be notified to the relevant *Distribution Network Service Provider* in the *framework and approach paper* applicable to that *Distribution Network Service Provider*.

6.26 Division of Distribution Network Service Provider's revenue

- (a) This rule 6.26 applies if the AER has determined under clause 6.25(b) that pricing in respect of *transmission standard control services* provided by a *Distribution Network Service Provider's dual function assets* should be regulated under Part J of Chapter 6A.
- (b) The AER must, for the purposes of the distribution determination for the relevant *Distribution Network Service Provider*, divide the revenue calculated under Part C of Chapter 6 into the following two portions:
- (1) a portion relevant to the *Distribution Network Service Provider's transmission standard control services* provided by its *dual function assets*. This portion is defined as its *transmission standard control service revenue*; and
 - (2) a portion relevant to the other *standard control services* provided by the *Distribution Network Service Provider*. This portion is defined as its *distribution standard control service revenue*,
based on the *Distribution Network Service Provider's* approved *Cost Allocation Method*.

- (c) The relevant *Distribution Network Service Provider* must submit a proposed pricing methodology to the AER in respect of its transmission standard control service revenue as if it were a *Transmission Network Service Provider* as part of its regulatory proposal under chapter 6, and Part E of Chapter 6A applies in respect of that pricing methodology (with the necessary changes).
- (d) The AER and the relevant *Distribution Network Service Provider* must apply and comply with all aspects of Part J of Chapter 6A instead of, and to the exclusion of, Parts I, J and K of Chapter 6 in respect of the dual function assets which provide transmission standard control services, subject to the following:
- (1) for the purposes of Part J of Chapter 6A:
 - (i) the dual function assets are relevantly deemed to be transmission network assets which provide prescribed transmission services;
 - (ii) the *Distribution Network Service Provider* which owns, controls or operates the relevant dual function assets is relevantly deemed to be a *Transmission Network Service Provider*;
 - (2) the maximum allowed revenue referred to in clause 6A.22.1 is taken to be the transmission standard control service revenue;
 - (3) the reference in clause 6A.22.1(1) to clause 6A.3.2 is taken to be a reference to rules 6.6 and 6.13;
 - (4) references to "transmission determination" are to be read as references to the relevant "distribution determination", with the AER being required to include in the distribution determination a decision to approve a proposed pricing methodology in relation to the transmission standard control services provided by the relevant dual function assets; and
 - (5) if there is no previous method to establish prices under clause 6A.24.3(b)(3), the relevant *Distribution Network Service Provider* must apply the pricing methodology of the largest *Transmission Network Service Provider* operating in the participating jurisdiction in which that *Distribution Network Service Provider* operates the relevant dual function assets.
- (e) The pricing rules in Part I of Chapter 6 are to be applied to the *Distribution Network Service Provider's* distribution standard control service revenue.

Schedule 6.1 Contents of building block proposals

S6.1.1 Information and matters relating to capital expenditure

A *building block 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 6.5.7 of the *Rules* and identifies the forecast capital expenditure by reference to well accepted categories such as:
 - (i) asset class (eg. *distribution lines, substations* etc); or
 - (ii) category driver (eg. *regulatory obligation or requirement, replacement, reliability, net market benefit, business support* etc),and identifies, in respect of proposed material assets:
 - (iii) the location of the proposed asset; and
 - (iv) the anticipated or known cost of the proposed asset; and
 - (v) the categories of *distribution services* which are to be provided by the proposed asset;
- (2) the method used for developing the capital expenditure forecast;
- (3) the forecasts of load growth relied upon to derive the capital expenditure forecasts and the method 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 *Distribution 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;
- (7) an explanation of any significant variations in the forecast capital expenditure from historical capital expenditure.

S6.1.2 Information and matters relating to operating expenditure

A *building block 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 6.5.6 of the *Rules* 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 *distribution services* to which that forecast expenditure relates;
- (2) the method used for developing the operating expenditure forecast;
- (3) the forecasts of key variables relied upon to derive the operating expenditure forecast and the method used for developing those forecasts of key variables;
- (4) the method used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant *distribution system* for the purposes of any *service target performance incentive scheme* that is to apply to the *Distribution 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 *Distribution Network Service Provider*;
- (7) operating expenditure for each of the past *regulatory years* of the previous and current *regulatory control period*, and the expected operating expenditure for each of the last two *regulatory years* of the current *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.

S6.1.3 Additional information and matters

A *building block 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) a proposed pass through clause with a proposal as to the events that should be defined as *pass through events*;
- (3) a description, including relevant explanatory material, of how the *Distribution Network Service Provider* proposes the *efficiency benefit sharing scheme* should apply for the relevant *regulatory control period*;

- (4) a description, including relevant explanatory material, of how the *Distribution Network Service Provider* proposes the *service target performance incentive scheme* should apply for the relevant *regulatory control period*;
- (5) a description, including relevant explanatory material, of how the *Distribution Network Service Provider* proposes the *demand management incentive scheme* (if applicable) should apply for the relevant *regulatory control period*;
- (6) the provider's calculation of revenues or prices for the purposes of the control mechanism proposed by the provider together with:
 - (i) details of all amounts, values and inputs (including X factors) relevant to the calculation; and
 - (ii) an explanation of the calculation and the amounts, values and inputs involved in the calculation; and
 - (iii) a demonstration that the calculation and the amounts, values and inputs on which it is based comply with relevant requirements of the Law and the *Rules*;
- (7) the provider's calculation of the regulatory asset base for the relevant *distribution system* for each *regulatory year* of the relevant *regulatory control period* using the *roll forward model* referred to in clause 6.5.1 of the *Rules*, together with:
 - (i) details of all amounts, values and other inputs used by the provider for that purpose; and
 - (ii) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6 of the *Rules*; 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);
- (8) the commencement and length of the period nominated by the *Distribution Network Service Provider* for the purposes of clause 6.5.2(c)(2) of the *Rules*;
- (9) the provider's calculation of the proposed rate of return, including any proposed departure from the values, methods or credit rating levels set out in an applicable *statement of regulatory intent*;
- (10) the *post-tax revenue model* completed to show its application to the *Distribution Network Service Provider* and the completed *roll-forward model*;
- (11) the provider's estimate of the cost of corporate income tax for each *regulatory year* of the *regulatory control period*;

- (12) the depreciation schedules nominated by the *Distribution Network Service Provider* for the purposes of clause 6.5.5 of the *Rules*, which categorise the relevant assets for these purposes by reference to well accepted categories such as:
- (i) asset class (eg *distribution lines* and *substations*); or
 - (ii) category driver (eg *regulatory obligation or requirement*, replacement, *reliability*, net market benefit, and business support),
- together with:
- (iii) details of all amounts, values and other inputs used by the provider to compile those depreciation schedules; and
 - (iv) a demonstration that those depreciation schedules conform with the requirements set out in clause 6.5.5(b) of the *Rules*; and
 - (v) an explanation of the calculation of the amounts, values and inputs referred to in subparagraph (iii);
- (13) the commencement and length of the *regulatory control period* proposed by the *Distribution Network Service Provider*.

Schedule 6.2 Regulatory Asset Base

S6.2.1 Establishment of opening regulatory asset base for a regulatory control period

- (a) Application of this clause

This clause S6.2.1

- (1) applies to the establishment of the value of the regulatory asset base for a *distribution 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 *distribution system* as at the beginning of a *regulatory control period* where the *distribution system* was not immediately before that time the subject of a *building block determination*.

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

The values to be used for completing the *roll forward model* must be established in accordance with this clause and clauses S6.2.2 and S6.2.3.

- (c) Distribution systems of specific providers

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

Jurisdiction	<i>Distribution Network Service Provider</i>	Regulatory Asset Base (\$m)
Australian Capital Territory	ActewAGL	510.54 (as at 1 July 2004 in July 2004 dollars)
New South Wales	Country Energy	2,440 (as at 1 July 2004 in July 2004 dollars)
	EnergyAustralia	4,116 (as at 1 July 2004 in July 2004 dollars)
	Integral Energy	2,283 (as at 1 July 2004 in July 2004 dollars)
Queensland	ENERGEX	4,308.1 (as at 1 July 2005 in July 2005 dollars)

Jurisdiction	<i>Distribution Network Service Provider</i>	Regulatory Asset Base (\$m)
	Ergon Energy	4,198.2 (as at 1 July 2005 in July 2005 dollars) but, if the Queensland Competition Authority nominates a different amount in writing to the <i>AER</i> , the regulatory asset base is the amount so nominated.
South Australia	ETSA Utilities	2,466 (as at 1 July 2005 in December 2004 dollars)
Tasmania	Aurora Energy	981.108 (as at 1 January 2008 in July 2006 dollars)
Victoria	AGL Electricity	578.4 (as at 1 January 2006 in July 2004 dollars)
	Citipower	990.9 (as at 1 January 2006 in July 2004 dollars)
	Powercor	1,626.5 (as at 1 January 2006 in July 2004 dollars)
	SP AusNet	1,307.2 (as at 1 January 2006 in July 2004 dollars)
	United Energy	1,220.3 (as at 1 January 2006 in July 2004 dollars)

- (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.

- (3) When rolling forward a regulatory asset base under subparagraph (1), the *AER* must take into account the derivation of the values in the above table from past regulatory decisions and the consequent fact that they relate only to the regulatory asset base identified in those decisions.

(d) Other distribution systems

- (1) This paragraph (d) applies to a *distribution system* not referred to in paragraphs (c) when *standard control services* that are provided by means of, or in connection with, that system are to be regulated under a *building block determination*.
- (2) The value of the regulatory asset base for that *distribution system* as at the beginning of the first *regulatory year* of the first *regulatory control period* for the relevant *Distribution Network Service Provider* is the prudent and efficient value of the assets that are used by the provider to provide those *standard control 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 S6.2.2.
- (3) The value of the regulatory asset base for that *distribution 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 *distribution system* as at the beginning of the first *regulatory year* of the first *regulatory control period* in accordance with this schedule.

(e) Method of adjustment of value of regulatory asset base

Except as otherwise provided in paragraph (c) or (d), the value of the regulatory asset base for a *distribution 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 *distribution 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 increased by the amount of all capital expenditure incurred during the previous control period.
- (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.
- (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 *standard control services* in accordance with the *Cost Allocation Method* for the relevant *Distribution 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 *regulatory control period*, calculated in accordance with the distribution determination 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 *regulatory control period*.
- (7) The previous value of the regulatory asset base must be reduced by the value of an asset where the asset was previously used to provide *standard control services* (or their equivalent under the previous regulatory system) but, as a result of a change to the classification of a particular service under Part B, is not to be used for that purpose for the relevant *regulatory control period*.
- (8) The previous value of the regulatory asset base may be increased by the value of an asset to which this subparagraph applies to the extent that:
 - (i) the *AER* considers the asset to be reasonably required to achieve one or more of the *capital expenditure objectives*; and
 - (ii) the value of the asset has not been otherwise recovered.

This subparagraph applies to an asset that:

- (i) was not used to provide *standard control services* (or their equivalent under the previous regulatory system) in the previous *regulatory control period* but, as a result of a change to the classification of a particular service under Part B, is to be used for that purpose for the relevant *regulatory control period*; or
 - (ii) was never previously used to provide *standard control services* (or their equivalent under the previous regulatory system) but is to be used for that purpose for the relevant *regulatory control period*.
- (f) An increase or reduction in the value of the regulatory asset base under subparagraph (7) or (8) of paragraph (e) is to be based on the portion of the value of the asset properly allocated, or formerly properly allocated, to *standard control services* in accordance with the principles and policies set out in the *Cost Allocation Method* for the relevant *Distribution Network*

Service Provider. The value of the relevant asset is taken to be its value as shown in independently audited and published accounts.

S6.2.2 Prudency and efficiency of capital expenditure

In determining the prudency or efficiency of capital expenditure under clause S6.2.1(d)(2), the *AER* must have regard to the following:

- (1) the need to provide a reasonable opportunity for the relevant *Distribution Network Service Provider* to recover the efficient costs of complying with all applicable *regulatory obligations or requirements* associated with the provision of *standard control services*;
- (2) the need to provide effective incentives to the provider to promote economic efficiency in the provision of *standard control services*;
- (3) whether the relevant project in respect of which capital expenditure was made was evaluated against, and satisfied, the *regulatory test*;
- (4) whether the 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 *standard control services* to be provided as a consequence of that capital expenditure;
- (5) the desirability of minimising investment uncertainty for the provider;
- (6) the need to provide incentives to the provider to avoid undertaking inefficient capital expenditure;
- (7) the value of the relevant asset as shown in independently audited and published accounts.

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.

S6.2.3 Roll forward of regulatory asset base within the same regulatory control period

- (a) Application of this clause

This clause applies to the establishment of the value of the regulatory asset base for a *distribution 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 6.5.1 of the *Rules* must provide for that value to be established in accordance with the requirements of this clause.

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

The value of the regulatory asset base for a *distribution 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 *distribution 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 6.5.7(c) or clause 6.12.1(3) (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 *Distribution Network Service Provider's annual 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 *distribution system* which is rolled forward in accordance with this clause.

CHAPTER 6A



6A. Economic Regulation of Transmission Services

Part A - Introduction

6A.1 Introduction to Chapter 6A

6A.1.1 Economic regulation of transmission services generally

- (a) Part B of this Chapter 6A states the general obligation of the *AER* to make *transmission determinations* for *Transmission Network Service Providers* in respect of:
 - (1) *prescribed transmission services*; and
 - (2) *negotiated transmission services*.
- (b) Part C of this Chapter 6A regulates the revenues that may be earned by *Transmission Network Service Providers* from the provision by them of *transmission services* that are the subject of *transmission determinations*.
- (c) Part D of this Chapter 6A regulates the *terms and conditions of access* to be applied (including the prices that may be charged) by *Transmission Network Service Providers* for the provision by them of *negotiated transmission services*.
- (d) Part E of this Chapter 6A sets out the procedure that applies for the purposes of the *AER* making a *transmission determination*.
- (d) Part F of this Chapter 6A contains provisions regarding the disclosure, use and protection of information.
- (e) Part G of this Chapter 6A contains provisions regarding cost allocation.
- (f) Part H of this Chapter 6A contains provisions regarding the *transmission consultation procedures*.
- (g) Part I of this Chapter 6A contains provisions regarding *Transmission Ring-Fencing Guidelines*.
- (h) Part J of this Chapter 6A regulates the prices that may be charged by *Transmission Network Service Providers* for the provision of *prescribed transmission services* and establishes principles to be applied by providers in setting prices that allow those providers to earn the whole of the *aggregate annual revenue requirement*.
- (i) Part K of this Chapter 6A provides for a *commercial arbitrator* to be appointed to resolve *transmission services access disputes* in relation to the *terms and conditions of access* for the provision of *negotiated transmission services* and for *prescribed transmission services*.

- (j) Other *transmission services* provided by *Transmission Network Service Providers* ('*non-regulated transmission services*') are not subject to regulation under this Chapter 6A.
- (k) [Services provided by dual function assets are not subject to regulation under this Chapter 6A except to the extent provided in Part N of Chapter 6.](#)

6A.1.2 Meaning of terms and conditions of access for transmission services

For the purposes of the economic regulation of *prescribed transmission services* and *negotiated transmission services*, the *terms and conditions of access*:

- (a) in relation to *negotiated transmission services*, are:
 - (1) the price of those services (including, for services provided under rule 5.4A, *access charges*); and
 - (2) other terms and conditions for the provision of those *negotiated transmission services*,
under Chapters 4, 5 and this Chapter 6A of the *Rules*; and
- (b) in relation to *prescribed transmission services*, are:
 - (1) the price of those services as determined under the *pricing methodology* of the relevant *Transmission Network Service Provider*; and
 - (2) other terms and conditions for the provision of those *prescribed transmission services*,
under Chapters 4, 5 and this Chapter 6A of the *Rules*.

6A.1.3 Access to prescribed and negotiated transmission services

Subject to and in accordance with the *Rules*:

- (1) a person who is an existing or intending *Registered Participant*, or a person who is eligible to become a *Registered Participant* ('a *Service Applicant*') may apply to a *Transmission Network Service Provider* for provision of *prescribed transmission services* or *negotiated transmission services*.
- (2) a *Transmission Network Service Provider* must provide *prescribed transmission services* or *negotiated transmission services* (as the case may be) on *terms and conditions of access* that are consistent with the requirements of Chapters 4, 5 and this Chapter 6A of the *Rules*.
- (3) a *Transmission Network Service Provider* or a person who is provided *prescribed transmission services* or *negotiated transmission services* (whether the person is provided those services under an agreement, as a result of a determination of a *commercial arbitrator* or otherwise under the *Rules*) must not engage in conduct for the purpose of preventing or hindering access to those services.

6A.1.4 National regulatory arrangements

- (a) The *AER* is, in accordance with this Chapter 6A, responsible for the economic regulation of *prescribed transmission services* provided by *Transmission Network Service Providers* by means of, or in connection with, *transmission systems* that form part of the *national grid*.
- (b) Subject to any contrary determination by the *AER*, those parts of a *transmission network* operating at nominal *voltages* between 66kV and 220kV that:
 - (1) do not operate in parallel to; and
 - (2) do not provide support to,the higher *voltage transmission network* may be deemed by the relevant *Transmission Network Service Provider* to be subject to the regulatory arrangements for *distribution service* pricing set out in Chapter 6.

6A.1.5 Application of Chapter 6A to Market Network Service Providers

- (a) Notwithstanding anything contained in this Chapter 6A:
 - (1) Parts B, C, D and J do not regulate the revenues that may be earned by *Market Network Service Providers* from, or the prices that may be charged by *Market Network Service Providers* for, the provision by them of *market network services*; and
 - (2) Part E does not apply to *Market Network Service Providers*.
- (b) Part D of this Chapter 6A does not regulate the terms and conditions of access for provision by *Transmission Network Service Providers* of *network services* provided to:
 - (1) a *Market Network Service Provider*; or
 - (2) another *Network Service Provider* for electricity delivered to a *Market Network Service Provider* through the *network* of the other *Network Service Provider* (except for any such electricity which is ultimately consumed within the other *Network Service Provider's network*).
- (c) Charges for the *network services* referred to in paragraph (b) are governed by the applicable provisions of rule 5.4A.
- (d) Part K of this Chapter 6A does not apply to disputes relating to the terms and conditions of access for *network services* referred to under this clause 6A.1.5.

Part B - Transmission Determinations Generally

6A.2 Transmission determinations

6A.2.1 Duty of AER to make transmission determinations

The AER must make *transmission determinations* for *Transmission Network Service Providers* in accordance with this Chapter 6A in respect of:

- (1) *prescribed transmission services*; and
- (2) *negotiated transmission services*.

6A.2.2 Components of transmission determinations

A *transmission determination* for a *Transmission Network Service Provider* consists of:

- (1) a *revenue determination* for the provider in respect of the provision by the provider of *prescribed transmission services*;
- (2) a determination relating to the provider's *negotiating framework*;
- (3) a determination that specifies the *Negotiated Transmission Service Criteria* that apply to the provider; and
- (4) a determination that specifies the *pricing methodology* that applies to the provider.

Part C - Regulation of Revenue - Prescribed Transmission Services

6A.3 Allowed revenue from prescribed transmission services

6A.3.1 Allowed revenue for regulatory year

The revenue that a *Transmission Network Service Provider* may earn in any *regulatory year* of a *regulatory control period* from the provision of *prescribed transmission services* is the *maximum allowed revenue* subject to any adjustments referred to in clause 6A.3.2, and is to be determined in accordance with:

- (1) the *revenue determination* forming part of the applicable *transmission determination*; and
- (2) the provisions of this Part C.

6A.3.2 Adjustment of maximum allowed revenue

The *maximum allowed revenue* that a *Transmission Network Service Provider* may earn in any *regulatory year* of a *regulatory control period* from the provision of *prescribed transmission services* is subject to adjustment in accordance with rules 6A.7, 6A.8 or 6A.15.

6A.4 Revenue determinations

6A.4.1 Introduction

- (a) The procedure for making a *revenue determination* for a *Transmission Network Service Provider* is contained in Part E of this Chapter 6A, and involves the submission to the *AER* of a *Revenue Proposal* by the provider.
- (b) Such a *Revenue Proposal* must comply with the requirements of this Chapter 6A, and in particular must:
 - (1) be prepared using the *post-tax revenue model* referred to in rule 6A.5; and
 - (2) comply with the requirements of the *submission guidelines* referred to in clause 6A.10.2.

6A.4.2 Contents of revenue determination

- (a) A *revenue determination* for a *Transmission Network Service Provider* is to specify, for a *regulatory control period*, the following matters:
 - (1) the amount of the estimated *total revenue cap* for the *regulatory control period* or the method of calculating that amount;
 - (2) the *annual building block revenue requirement* for each *regulatory year* of the *regulatory control period*;
 - (3) the amount of the *maximum allowed revenue* for each *regulatory year* of the *regulatory control period* or the method of calculating that amount;
 - (4) appropriate methodologies for the indexation of the regulatory asset base;
 - (5) the values that are to be attributed to the *performance incentive scheme parameters* for the purposes of the application to the provider of any *service target performance incentive scheme* that applies in respect of the *regulatory control period*;
 - (6) the values that are to be attributed to the *efficiency benefit sharing scheme parameters* for the purposes of the application to the provider of any *efficiency benefit sharing scheme* that applies in respect of the *regulatory control period*;
 - (7) the commencement and length of the *regulatory control period*; and
 - (8) such amounts, values or inputs as have been used by the *AER* in place of those referred to in clause 6A.10.2(b)(9).
- (b) Unless otherwise determined by the *AER*:
 - (1) the *total revenue cap* may not relate to more than one *transmission system* that is owned, controlled or operated by a *Transmission Network Service Provider*; and

- (2) there is to be a separate *total revenue cap* for each such *transmission system*.
- (c) A *regulatory control period* in respect of a *Transmission Network Service Provider* must be not less than 5 *regulatory years*.

6A.5 Post-tax revenue model

6A.5.1 Introduction

- (a) The process of preparing a *revenue determination* for a *Transmission Network Service Provider* involves the submission of a *Revenue Proposal* to the *AER* by the provider under clause 6A.10.1. The provider is required to prepare the *Revenue Proposal* using a *post-tax revenue model* in relation to that proposal, in accordance with the requirements of this Chapter 6A.
- (b) The principal purpose of the *post-tax revenue model* is to calculate the *maximum allowed revenue* under the *revenue determination*.
- (c) The *post-tax revenue model*, together with the *Revenue Proposal*, form the basis on which the *AER* assesses a *Revenue Proposal* and makes a *revenue determination*.

6A.5.2 Preparation, publication and amendment of post-tax revenue model

- (a) The *AER* must, in accordance with the *transmission consultation procedures*, prepare and *publish* a *post-tax revenue model*.
- (b) The *AER* may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace the *post-tax revenue model*.
- (c) The *AER* must develop and *publish* the first *post-tax revenue model* by 28 September 2007³ and there must be such a model in force at all times after that date.

6A.5.3 Contents of post-tax revenue model

- (a) The *post-tax revenue model* must set out the manner in which the following matters, referable only to the provision of *prescribed transmission services*, are to be calculated in respect of a *Transmission Network Service Provider* for a *regulatory control period*:
 - (1) the *total revenue cap* for the provider for the period;
 - (2) the *maximum allowed revenue* for the provider for each *regulatory year* of the period; and
 - (3) the *annual building block revenue requirement* for the provider for each *regulatory year*, determined in accordance with clause 6A.5.4.
- (b) The *post-tax revenue model* must specify:
 - (1) a methodology that the *AER* determines is likely to result in the best estimates of expected inflation;

- (2) the timing assumptions and associated discount rates that are to apply in relation to the calculation of the building blocks referred to in clause 6A.5.4;
 - (3) the manner (if any) in which working capital is to be treated;
 - (4) the manner in which the estimated cost of corporate income tax is to be calculated; and
 - (5) the CPI - X methodology that is to be applied in escalating the *maximum allowed revenue* for the provider for each *regulatory year* (other than the first *regulatory year*) of a *regulatory control period*.
- (c) The *post-tax revenue model* must be such that:
- (1) the net present value of the expected *maximum allowed revenue* for the provider for each *regulatory year* of the *regulatory control period* is equal to the net present value of the *annual building block revenue requirement* for the provider for each *regulatory year*;
 - (2) the *maximum allowed revenue* for the provider for the first *regulatory year* is expressed as a dollar amount;
 - (3) the *maximum allowed revenue* for the provider for each *regulatory year* (other than the first *regulatory year*) is calculated by escalating the *maximum allowed revenue* for the provider for the previous *regulatory year* using a CPI - X methodology; and
 - (4) the *total revenue cap* for the provider for a *regulatory control period* is calculated as the sum of the *maximum allowed revenues* for the provider for each *regulatory year*.
- (d) For the purposes of this clause 6A.5.3, the X factor is that determined in accordance with clause 6A.6.8.

6A.5.4 Building blocks approach

(a) **Building blocks generally**

The *annual building block revenue requirement* for a *Transmission Network Service Provider* for each *regulatory year* of a *regulatory control period* must be determined using a building blocks approach, under which the building blocks are:

- (1) indexation of the regulatory asset base - see paragraph (b)(1);
- (2) a return on capital for that year - see paragraph (b)(2);
- (3) the depreciation for that year - see paragraph (b)(3);
- (4) the estimated cost of corporate income tax of the provider for that year - see paragraph (b)(4);
- (5) certain revenue increments or decrements for that year arising from the *efficiency benefit sharing scheme* - see paragraph (b)(5);

- (6) the forecast operating expenditure accepted or substituted by the *AER* for that year – see paragraph (b)(6); and
- (7) compensation for other risks - see paragraph (b)(7).

(b) Details about the building blocks

For the purposes of paragraph (a):

- (1) for indexation of the regulatory asset base:
 - (i) the regulatory asset base is calculated in accordance with clause 6A.6.1 and schedule 6A.2; and
 - (ii) the building block comprises a negative adjustment equal to the amount referred to in clause S6A.2.4(c)(4) for that year;
- (2) the return on capital is calculated in accordance with clause 6A.6.2;
- (3) the depreciation is calculated in accordance with clause 6A.6.3;
- (4) the estimated cost of corporate income tax is determined in accordance with clause 6A.6.4;
- (5) the revenue increments or decrements are those that arise as a result of the operation of the applicable *efficiency benefit sharing scheme*, as referred to in clause 6A.6.5;
- (6) the forecast operating expenditure is accepted or substituted by the *AER* in accordance with clause 6A.6.6(c) or clause 6A.13.2(b)(3) and (5) (as the case may be); and
- (7) the compensation for other risks is such amounts as the *AER* determines are necessary for that year to compensate a *Transmission Network Service Provider* for risks that are not otherwise compensated for in the return on capital, including the risk referred to in clause S6A.2.3(b) of schedule 6A.2.

6A.6 Matters relevant to the making of revenue determinations

6A.6.1 Regulatory asset base

Nature of regulatory asset base

- (a) The regulatory asset base for a *transmission system* owned, controlled or operated by a *Transmission Network Service Provider* is the value of those assets that are used by the provider to provide *prescribed transmission services*, but only to the extent that they are used to provide such services.

Preparation, publication and amendment of model for rolling forward regulatory asset base

- (b) The *AER* must, in accordance with the *transmission consultation procedures*, develop and *publish* a model for the roll forward of the regulatory asset base for *transmission systems*, referred to as the *roll forward model*.

- (c) The *AER* may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace the *roll forward model*.
- (d) The *AER* must develop and *publish* the first *roll forward model* by 28 September 2007, and there must be such a model available at all times after that date.

Contents of roll forward model

- (e) The *roll forward model* must set out the method for determining the roll forward of the regulatory asset base for *transmission systems*:
 - (1) from the immediately preceding *regulatory control period* to the beginning of the first year of the subsequent *regulatory control period*, so as to establish the value of the regulatory asset base as at the beginning of the first *regulatory year* of that subsequent *regulatory control period*; and
 - (2) from one *regulatory year* in a *regulatory control period* to a subsequent *regulatory year* in that same *regulatory control period*, so as to establish the value of the regulatory asset base as at the beginning of the subsequent *regulatory year* of that *regulatory control period*;

under which:

- (3) the roll forward of the regulatory asset base from the immediately preceding *regulatory control period* to the beginning of the first *regulatory year* of a subsequent *regulatory control period* entails the value of the first mentioned regulatory asset base being adjusted for outturn inflation, consistent with the methodology that was used in the *transmission determination* (if any) for the first mentioned *regulatory control period* for the indexation of the *maximum allowed revenue* during that *regulatory control period*.

Other provisions relating to regulatory asset base

- (f) Other provisions relating to regulatory asset bases are set out in schedule 6A.2.

6A.6.2 Return on capital

Calculation of return on capital

- (a) The return on capital for each *regulatory year* must be calculated by applying a rate of return for the relevant *Transmission Network Service Provider* for that *regulatory control period* (calculated in accordance with this clause 6A.6.2) to the value of the regulatory asset base for the relevant *transmission system* as at the beginning of that *regulatory year* (as established in accordance with clause 6A.6.1 and schedule 6A.2).

Weighted average cost of capital

- (b) The rate of return for a *Transmission Network Service Provider* for a *regulatory control period* is the cost of capital as measured by the return

required by investors in a commercial enterprise with a similar nature and degree of non-diversifiable risk as that faced by the *transmission* business of the provider and, subject to any revised values, methodologies and levels arising from a review under paragraphs (f)-(j), must be calculated as a nominal post-tax *weighted average cost of capital* ("WACC") in accordance with the following formula:

$$\text{WACC} = k_e \frac{E}{V} + k_d \frac{D}{V}$$

where:

k_e is the return on equity (determined using the Capital Asset Pricing Model) and is calculated as:

$$r_f + \beta_e \times \text{MRP}$$

where:

r_f is the nominal risk free rate for the *regulatory control period* determined in accordance with paragraph (c);

β_e is the equity beta, which is deemed to be 1.0; and

MRP is the market risk premium, which is deemed to be 6.0%;

k_d is the return on debt and is calculated as:

$$r_f + \text{DRP}$$

where:

DRP is the debt risk premium for the *regulatory control period* determined in accordance with paragraph (e);

E/V is the market value of equity as a proportion of the market value of equity and debt, which is $1 - D/V$; and

D/V is the market value of debt as a proportion of the market value of equity and debt, which is deemed to be 0.6.

Meaning of nominal risk free rate

(c) The nominal risk free rate for a *regulatory control period* is the rate determined for that *regulatory control period* by the AER on a moving average basis from the annualised yield on Commonwealth Government bonds with a maturity of 10 years using:

- (1) the indicative mid rates published by the Reserve Bank of Australia; and
- (2) a period of time which is either:
 - (i) a period ('the **agreed period**') proposed by the relevant *Transmission Network Service Provider*, and agreed by the AER (such agreement is not to be unreasonably withheld); or

- (ii) a period specified by the *AER*, and notified to the provider prior to the commencement of that period, if the period proposed by the provider is not agreed by the *AER* under subparagraph (i),
and, for the purposes of subparagraph (i):
 - (iii) the start date and end date for the agreed period may be kept confidential, but only until the expiration of the agreed period; and
 - (iv) the *AER* must notify the *Transmission Network Service Provider* whether or not it agrees with the proposed period within 30 *business days* of the date of submission of the *Revenue Proposal* under clause 6A.10.1(a).
- (d) If there are no Commonwealth Government bonds with a maturity of 10 years on any day in the period referred to in paragraph (c)(2), the *AER* must determine the nominal risk free rate for the *regulatory control period* by interpolating on a straight line basis from the two Commonwealth Government bonds closest to the 10 year term and which also straddle the 10 year expiry date.

Meaning of debt risk premium

- (e) The debt risk premium for a *regulatory control period* is the premium determined for that *regulatory control period* by the *AER* as the margin between the 10 year Commonwealth annualised bond rate and the observed annualised Australian benchmark corporate bond rate for corporate bonds which have a BBB+ credit rating from Standard and Poors and a maturity of 10 years.

Review of rate of return parameters

- (f) The *AER* must, in accordance with the *transmission consultation procedures* and paragraphs (g)-(j), carry out reviews of the matters referred to in paragraph (i).
- (g) The *AER* must initiate the first review on 1 July 2009 and every five years thereafter.
- (h) The *AER* may, as a consequence of a review, adopt revised values, methodologies or credit rating levels, and, if it does so, it must use those revised values, methodologies and levels, but only for the purposes of a *Revenue Proposal* that is submitted to the *AER* under clause 6A.10.1(a) after the completion of the first review or after completion of the five yearly reviews (as the case may be).
- (i) The *AER* may only review:
 - (1) the values of and methodologies used to calculate:
 - (i) the nominal risk free rate;
 - (ii) the equity beta;
 - (iii) the market risk premium;

- (iv) the maturity period and bond rates referred to in paragraph (d); and
 - (v) the ratio of the market value of debt to the market value of equity and debt,
as set out in this clause 6A.6.2 or as subsequently revised under paragraph (h); and
 - (2) the credit rating level as referred to in paragraph (e) or as subsequently revised under paragraph (h).
- (j) In undertaking a review under this clause 6A.6.2 and under clause 6A.6.4(b), the *AER* must have regard to:
- (1) the need for the rate of return calculated for the purposes of paragraph (b) to be a forward looking rate of return that is commensurate with prevailing conditions in the market for funds and the risk involved in providing *prescribed transmission services*;
 - (2) the need for the market value of debt to reflect the current cost of borrowings for comparable debt;
 - (3) the need for the values attributable to the parameters referred to in paragraphs (i)(1)(ii), (iv), (v) and (i)(2) to be based on a benchmark efficient *Transmission Network Service Provider*; and
 - (4) where the values that are attributable to parameters referred to in paragraph (i) cannot be determined with certainty:
 - (i) the need to achieve an outcome that is consistent with the *national electricity objective*; and
 - (ii) the need for persuasive evidence before adopting a value for that parameter that differs from the value that has previously been adopted for it.

6A.6.3 Depreciation

- (a) The depreciation for each *regulatory year*:
- (1) must be calculated on the value of the assets as included in the regulatory asset base, as at the beginning of that *regulatory year*, for the relevant *transmission system*; and
 - (2) must be calculated:
 - (i) providing such depreciation schedules conform with the requirements set out in paragraph (b), using the depreciation schedules for each asset or category of assets that are nominated in the relevant *Transmission Network Service Provider's Revenue Proposal*; or
 - (ii) to the extent the depreciation schedules nominated in the provider's Revenue Proposal do not so conform, using the

depreciation schedules determined for that purpose by the *AER* in its final decision on the provider's Revenue Proposal.

- (b) The depreciation schedules referred to in paragraph (a) must conform to the following requirements:
- (1) except as provided in paragraph (c), the schedules must depreciate using a profile that reflects the nature of the assets or category of assets over the economic life of that asset or category of assets;
 - (2) the sum of the real value of the depreciation that is attributable to any asset or category of assets over the economic life of that asset or category of assets (such real value being calculated as at the time the value of that asset or category of assets was first included in the regulatory asset base for the relevant *transmission system*) must be equivalent to the value at which that asset or category of assets was first included in the regulatory asset base for the relevant *transmission system*; and
 - (3) the economic life of the relevant assets and the depreciation methodologies and rates underpinning the calculation of actual depreciation for a given *regulatory control period* must be consistent with those determined for the same assets on a prospective basis in the *transmission determination* for that period.
- (c) To the extent that:
- (1) an asset (or group of assets) the value of which forms part of the regulatory asset base for a *transmission system* is dedicated to one *Transmission Network User* (not being a *Distribution Network Service Provider*) or a small group of *Transmission Network Users*; and
 - (2) the value of the assets (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 commencement of that *regulatory control period*, of \$20 million,

that asset (or group of assets) must be depreciated on a straight line basis over the life at which that asset (or group of assets) was first included in the regulatory asset base for that *transmission system*.

6A.6.4 Estimated cost of corporate income tax

- (a) The estimated cost of corporate income tax of a *Transmission Network Service Provider* for each *regulatory year* (ETC_t) must be calculated in accordance with the following formula:

$$ETC_t = (ETI_t \times r_t) (1 - \gamma)$$

where:

ETI_t is an estimate of the taxable income for that *regulatory year* that would be earned by a benchmark efficient entity as a result of the provision of

prescribed transmission services if such an entity, rather than the *Transmission Network Service Provider*, operated the business of the *Transmission Network Service Provider*, such estimate being determined in accordance with the *post-tax revenue model*;

r_t is the expected statutory income tax rate for that *regulatory year* as determined by the *AER*; and

γ is the assumed utilisation of imputation credits, which is deemed to be 0.5.

For these purposes:

- (1) the cost of debt must be based on that of a benchmark efficient *Transmission Network Service Provider*; and
 - (2) the estimate must take into account the estimated depreciation for that *regulatory year* for tax purposes, for a benchmark efficient *Transmission Network Service Provider*, of assets where the value of those assets is included in the regulatory asset base for the relevant *transmission system* for that *regulatory year*.
- (b) The *AER* must, in accordance with the *transmission consultation procedures* and clause 6A.6.2(j), carry out reviews of the matters referred to in paragraph (d).
- (c) The *AER* must initiate the first review on 1 July 2009 and every five years thereafter.
- (d) The *AER* may only review the value of and methodology used to calculate the assumed utilisation of imputation credits as referred to in paragraph (a) (or as subsequently revised under this clause 6A.6.4).
- (e) Where the value of the assumed utilisation of imputation credits referred to in paragraph (d) cannot be determined with certainty, the *AER* must have regard to:
- (1) the need to achieve an outcome that is consistent with the *national electricity objective*; and
 - (2) the need for persuasive evidence before adopting a value that differs from the value that has previously been adopted for it.
- (f) If, as a consequence of a review, the *AER* decides to adopt a revised value or methodology, it must use that revised value or methodology, but only for the purposes of a *Revenue Proposal* that is submitted to the *AER* under clause 6A.10.1(a) after the completion of the first review or after completion of the five yearly reviews (as the case may be).

6A.6.5 Efficiency benefit sharing scheme

- (a) The *AER* must, in accordance with the *transmission consultation procedures*, develop and *publish* a scheme (an *efficiency benefit sharing scheme*) that provides for a fair sharing between *Transmission Network Service Providers* and *Transmission Network Users* of:

- (1) the efficiency gains derived from the operating expenditure of *Transmission Network Service Providers* for a *regulatory control period* being less than; and
- (2) the efficiency losses derived from the operating expenditure of *Transmission Network Service Providers* for a *regulatory control period* being more than,

the forecast operating expenditure accepted or substituted by the AER for that *regulatory control period* in accordance with clause 6A.6.6(c) or clause 6A.13.2(b)(3) and (5) (as the case may be).

- (b) In developing and implementing an *efficiency benefit sharing scheme*, the AER must have regard to:
 - (1) the need to provide *Transmission Network Service Providers* with a continuous incentive (that is equal in each year of any *regulatory control period*) to reduce operating expenditure;
 - (2) the desirability of both rewarding *Transmission Network Service Providers* for efficiency gains and penalising *Transmission Network Service Providers* for efficiency losses; and
 - (3) any incentives that *Transmission Network Service Providers* may have to inappropriately capitalise operating expenditure.
- (c) At the same time as it *publishes* an *efficiency benefit sharing scheme* under this clause 6A.6.5, the AER must also *publish* parameters ('the *efficiency benefit sharing scheme parameters*') for the scheme. For the avoidance of doubt, unless the AER provides otherwise in that scheme, such values may differ as between *Transmission Network Service Providers* and over time.
- (d) The AER must set out in each *efficiency benefit sharing scheme* any requirements with which the values attributed to the *efficiency benefit sharing scheme parameters* must comply, but such requirements must not be inconsistent with those factors to which the AER must have regard under paragraph (b).
- (e) The AER must develop and *publish* the first *efficiency benefit sharing scheme* by 28 September 2007, and there must be an *efficiency benefit sharing scheme* in force at all times after that date.
- (f) The AER may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace an *efficiency benefit sharing scheme*, except that no such amendment or replacement may change the application of the scheme to a *Transmission Network Service Provider* in respect of a *regulatory control period* that has commenced before, or that will commence within 15 months of, the amendment or replacement coming into operation.
- (g) Subject to paragraph (h) the AER may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace the values to be attributed to the *efficiency benefit sharing scheme parameters*.

- (h) An amendment or replacement referred to in paragraph (g) must not change the values to be attributed to the *efficiency benefit sharing scheme parameters* where:
 - (1) those values must be included in information accompanying a *Revenue Proposal*; and
 - (2) the *Revenue Proposal* is required to be submitted under clause 6A.10.1(a) at a time that is within 2 months of the *publication* of the amended or replaced *efficiency benefit sharing scheme parameters*.

6A.6.6 Forecast operating expenditure

- (a) A *Revenue Proposal* must include the total forecast operating expenditure for the relevant *regulatory control period* which the *Transmission Network Service Provider* considers is required in order to achieve each of the following ('the *operating expenditure objectives*'):
 - (1) meet the expected demand for *prescribed transmission services* over that period;
 - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *prescribed transmission services*;
 - (3) maintain the quality, reliability and security of supply of *prescribed transmission services*; and
 - (4) maintain the reliability, safety and security of the *transmission system* through the supply of *prescribed transmission services*.
- (b) The forecast of required operating expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal* must:
 - (1) comply with the requirements of the *submission guidelines*;
 - (2) be for expenditure that is properly allocated to *prescribed transmission services* in accordance with the principles and policies set out in the *Cost Allocation Methodology* for the *Transmission Network Service Provider*; and
 - (3) include both:
 - (i) the total of the forecast operating expenditure for the relevant *regulatory control period*; and
 - (ii) the forecast of the operating expenditure for each *regulatory year* of the relevant *regulatory control period*.
- (c) The *AER* must accept the forecast of required operating expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal* if the *AER* is satisfied that the total of the forecast operating expenditure for the *regulatory control period* reasonably reflects:
 - (1) the efficient costs of achieving the *operating expenditure objectives*;

- (2) the costs that a prudent operator in the circumstances of the relevant *Transmission Network Service Provider* would require to achieve the *operating expenditure objectives*; and
 - (3) a realistic expectation of the demand forecast and cost inputs required to achieve the *operating expenditure objectives*.
- (‘the *operating expenditure criteria*’).
- (d) If the *AER* is not satisfied as referred to in paragraph (c), it must not accept the forecast of required operating expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal*.
 - (e) In deciding whether or not the *AER* is satisfied as referred to in paragraph (c), the *AER* must have regard to the following (‘the *operating expenditure factors*’):
 - (1) the information included in or accompanying the *Revenue Proposal*;
 - (2) submissions received in the course of consulting on the *Revenue Proposal*;
 - (3) such analysis as is undertaken by or for the *AER* and is *published* prior to or as part of the draft decision of the *AER* on the *Revenue Proposal* under rule 6A.12 or the final decision of the *AER* on the *Revenue Proposal* under rule 6A.13 (as the case may be);
 - (4) benchmark operating expenditure that would be incurred by an efficient *Transmission Network Service Provider* over the *regulatory control period*;
 - (5) the actual and expected operating expenditure of the provider during any preceding *regulatory control periods*;
 - (6) the relative prices of operating and capital inputs;
 - (7) the substitution possibilities between operating and capital expenditure;
 - (8) whether the total labour costs included in the capital and operating expenditure forecasts for the *regulatory control period* are consistent with the incentives provided by the applicable *service target performance incentive scheme* in respect of the *regulatory control period*;
 - (9) the extent to which the forecast of required operating expenditure of the *Transmission Network Service Provider* is referable to arrangements with a person other than the provider that, in the opinion of the *AER*, do not reflect arm’s length terms; and
 - (10) whether the forecast of required operating expenditure includes amounts relating to a project that should more appropriately be included as a *contingent project* under clause 6A.8.1(b).
 - (f) If, in its final decision on the *Revenue Proposal* under rule 6A.13, the *AER* does not accept the total of the forecast required operating expenditure for

the *regulatory control period* under paragraph (d), then the *AER* must, in accordance with clause 6A.13.2(b), use a substituted forecast of required operating expenditure.

6A.6.7 Forecast capital expenditure

- (a) A *Revenue Proposal* must include the total forecast capital expenditure for the relevant *regulatory control period* which the *Transmission Network Service Provider* considers is required in order to achieve each of the following ('the *capital expenditure objectives*')
- (1) meet the expected demand for *prescribed transmission services* over that period;
 - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *prescribed transmission services*;
 - (3) maintain the quality, reliability and security of supply of *prescribed transmission services*; and
 - (4) maintain the reliability, safety and security of the *transmission system* through the supply of *prescribed transmission services*.
- (b) The forecast of required capital expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal* must:
- (1) comply with the requirements of the *submission guidelines*;
 - (2) be for expenditure that is properly allocated to *prescribed transmission services* in accordance with the principles and policies set out in the *Cost Allocation Methodology* for the *Transmission Network Service Provider*;
 - (3) include both:
 - (i) the total of the forecast capital expenditure for the relevant *regulatory control period*; and
 - (ii) the forecast of the capital expenditure for each *regulatory year* of the relevant *regulatory control period*; and
 - (4) identify any forecast capital expenditure:
 - (i) that is for a *reliability augmentation*; or
 - (ii) that is for an option that has satisfied the *regulatory test*.
- (c) The *AER* must accept the forecast of required capital expenditure of a *Transmission Network Service Provider* that is included in a *Revenue Proposal* if the *AER* is satisfied that the total of the forecast capital expenditure for the *regulatory control period* reasonably reflects:
- (1) the efficient costs of achieving the *capital expenditure objectives*;
 - (2) the costs that a prudent operator in the circumstances of the relevant *Transmission Network Service Provider* would require to achieve the *capital expenditure objectives*; and

- (3) a realistic expectation of the demand forecast and cost inputs required to achieve the *capital expenditure objectives*.
(‘the *capital expenditure criteria*’).
- (d) If the *AER* is not satisfied as referred to in paragraph (c), it must not accept the forecast of required capital expenditure of a *Transmission Network Service Provider*.
- (e) In deciding whether or not the *AER* is satisfied as referred to in paragraph (c), the *AER* must have regard to the following (‘the *capital expenditure factors*’):
 - (1) the information included in or accompanying the *Revenue Proposal*;
 - (2) submissions received in the course of consulting on the *Revenue Proposal*;
 - (3) such analysis as is undertaken by or for the *AER* and is *published* prior to or as part of the draft decision of the *AER* on the *Revenue Proposal* under rule 6A.12 or the final decision of the *AER* on the *Revenue Proposal* under rule 6A.13 (as the case may be);
 - (4) benchmark capital expenditure that would be incurred by an efficient *Transmission Network Service Provider* over the *regulatory control period*;
 - (5) the actual and expected capital expenditure of the *Transmission Network Service Provider* during any preceding *regulatory control periods*;
 - (6) the relative prices of operating and capital inputs;
 - (7) the substitution possibilities between operating and capital expenditure;
 - (8) whether the total labour costs included in the capital and operating expenditure forecasts for the *regulatory control period* are consistent with the incentives provided by the applicable *service target performance incentive scheme* in respect of the *regulatory control period*;
 - (9) the extent to which the forecast of required capital expenditure of the *Transmission Network Service Provider* is referable to arrangements with a person other than the provider that, in the opinion of the *AER*, do not reflect arm’s length terms; and
 - (10) whether the forecast of required capital expenditure includes amounts relating to a project that should more appropriately be included as a *contingent project* under clause 6A.8.1(b).
- (f) If, in its final decision on the *Revenue Proposal* made under rule 6A.13, the *AER* does not accept the total of the forecast of required capital expenditure for the *regulatory control period* under paragraph (d), then the *AER* must, in

accordance with clause 6A.13.2(b), use a substitute forecast of required capital expenditure.

Forecast capital expenditure and contingent projects

- (g) Paragraphs (h) - (k) apply where:
- (1) in a *regulatory control period* (the **first regulatory control period**) the *AER* determines under clause 6A.8.2(e)(1)(iii) that the likely completion date for a *contingent project* is a date which occurs in the immediately following *regulatory control period* (the **second regulatory control period**); and
 - (2) there is an unspent amount of capital expenditure for that *contingent project* under paragraph (h).
- (h) A *Transmission Network Service Provider's Revenue Proposal* for the second *regulatory control period*, must include in the forecast of required capital expenditure referred to in paragraph (a) an amount of any unspent capital expenditure for each *contingent project* as described in paragraph (g)(2), that equals the difference (if any) between:
- (1) the total capital expenditure for that *contingent project*, as determined by the *AER* in the first *regulatory control period* under clause 6A.8.2(e)(1)(ii); and
 - (2) the total of the capital expenditure actually incurred (or estimated capital expenditure for any part of the first *regulatory control period* for which actual capital expenditure is not available) in the first *regulatory control period* for that *contingent project*.
- (i) The *AER* must include in any forecast capital expenditure for the second *regulatory control period* which is accepted in accordance with paragraph (c), estimated in accordance with clause 6A.14.1(2)(ii) or substituted in accordance with clause 6A.13.2(b)(4) and (5) (as the case may be), the amount of any unspent capital expenditure calculated in accordance with paragraph (h).
- (j) Without limiting the requirement in paragraph (i), in deciding whether or not to accept the forecast of required capital expenditure of a *Transmission Network Service Provider* for the second *regulatory control period* in accordance with this clause 6A.6.7, the *AER* must not:
- (1) assess the reasonableness of the amount of unspent capital expenditure for a *contingent project* referred to in paragraph (h) or the remaining period to which the *contingent project* applies;
 - (2) assess the reasonableness of the timing of the unspent capital expenditure within the remaining period for a *contingent project* referred to in paragraph (h) except as part of the assessment of the total forecast capital expenditure under paragraph (c); or
 - (3) take into account any amount which represents for a *contingent project* referred to in paragraph (h) the difference between:

- (i) the amount representing the sum of the forecast capital expenditure for that *contingent project* for each year of the immediately preceding *regulatory control period* referred to in clause 6A.8.2(e)(1)(i); and
 - (ii) the total capital expenditure actually incurred (or estimated capital expenditure for any part of the preceding *regulatory control period* for which actual capital expenditure is not available) in the immediately preceding *regulatory control period* for that *contingent project*.
- (k) A *Revenue Proposal* in respect of the second *regulatory control period* must not include in the forecast of required capital expenditure referred to in paragraph (a) any capital expenditure for a *contingent project* for the first *regulatory control period*:
 - (1) to the extent that the capital expenditure was included in the amount of capital expenditure for that *contingent project* as determined in the first *regulatory control period* under clause 6A.8.2(e)(1)(i); and
 - (2) the capital expenditure actually incurred (or estimated capital expenditure for any part of the first *regulatory control period* for which actual capital expenditure is not available) in the first *regulatory control period* for that *contingent project* exceeded the capital expenditure referred to in subparagraph (1).

6A.6.8 The X factor

- (a) A *revenue determination* is to include the X factor for each *regulatory year* for a *Transmission Network Service Provider*.
- (b) The X factors for each *regulatory year* must be:
 - (1) providing they comply with the requirements set out in paragraph (c), the X factors for those *regulatory years* that are nominated in the *Transmission Network Service Provider's Revenue Proposal*; or
 - (2) to the extent that the X factors nominated in the *Transmission Network Service Provider's Revenue Proposal* do not so comply, the X factors determined for that purpose by the *AER* in its final decision on the *Transmission Network Service Provider's Revenue Proposal*.
- (c) The X factor for each *regulatory year* must be such that:
 - (1) the net present value of the expected *maximum allowed revenue* for the relevant *Transmission Network Service Provider* for each *regulatory year* (as calculated in accordance with the *post-tax revenue model*) is equal to the net present value of the *annual building block revenue requirement* for the provider for each *regulatory year* (as calculated in accordance with the *post-tax revenue model*); and
 - (2) the expected *maximum allowed revenue* for the provider for the last *regulatory year* (as calculated in accordance with the *post-tax revenue*

model) is as close as reasonably possible to the *annual building block revenue requirement* for the provider for that *regulatory year* (as calculated in accordance with the *post-tax revenue model*).

- (d) For the avoidance of doubt, there may be a different X factor that applies for different *regulatory years* of the *regulatory control period*.

6A.7 Matters relevant to the adjustment of revenue cap after making of revenue determination

6A.7.1 Reopening of revenue determination for capital expenditure

- (a) Subject to paragraph (b), a *Transmission Network Service Provider* may, during a *regulatory control period*, apply to the AER to revoke and substitute a *revenue determination* that applies to it where:
- (1) an event that is beyond the reasonable control of the provider has occurred during that *regulatory control period* and the occurrence of that event during that period (or of an event of a similar kind) could not reasonably have been foreseen by the provider at the time of the making of the *revenue determination* ('the **event**');
 - (2) no forecast capital expenditure was accepted or substituted by the AER for that period under clause 6A.6.7(c) or clause 6A.13.2(b)(4) and (5) (as the case may be) in relation to the event that has occurred;
 - (3) the provider proposes to undertake capital expenditure to rectify the adverse consequences of the event;
 - (4) the total of the capital expenditure required during the *regulatory control period* to rectify the adverse consequences of the event:
 - (i) exceeds 5% of the value of the regulatory asset base for the relevant *Transmission Network Service Provider* for the first year of the relevant *regulatory control period*;
 - (ii) is such that, if undertaken, it is reasonably likely (in the absence of any other reduction in capital expenditure) to result in the total actual capital expenditure for that *regulatory control period* exceeding the total of the forecast capital expenditure for that *regulatory control period* as accepted or substituted by the AER in accordance with clause 6A.6.7(c) or clauses 6A.13.2(b)(4) and (5) (as the case may be); and
 - (5) the provider can demonstrate that it is not able to reduce capital expenditure in other areas to avoid the consequence referred to in clause 6A.7.1(a)(4)(ii) without materially adversely affecting the *reliability* and security of the relevant *transmission system*;
 - (6) a failure to rectify the adverse consequences of the event would be likely to materially adversely affect the *reliability* and security of the relevant *transmission system*; and

(7) the event is not a *pass through event* or a *contingent project*.

In this paragraph (a), a reference to an event includes a series of events or a state of affairs, which may include a greater than anticipated increase in demand.

- (b) An application referred to in paragraph (a) must not be made within 90 *business days* prior to the end of a *regulatory year*.
- (c) Following its receipt of an application made in accordance with paragraphs (a) and (b), the *AER* must:
 - (1) consult with the *Transmission Network Service Provider* and such other persons as it considers appropriate in relation to the application; and
 - (2) make its decision on the application within 60 *business days* of that application being made.
- (d) The *AER* must, and must only, revoke a *revenue determination* following an application made in accordance with paragraphs (a) and (b) if the *AER* is satisfied of each of the matters referred to in paragraph (a).
- (e) If the *AER* revokes a *revenue determination* under paragraph (d), the *AER* must make a new *revenue determination* in substitution for the revoked determination to apply for the remainder of the *regulatory control period* for which the revoked determination was to apply.
- (f) The substituted *revenue determination* must only vary from the revoked *revenue determination* to the extent necessary:
 - (1) to adjust the forecast capital expenditure for that *regulatory control period* to accommodate the amount of such additional capital expenditure as the *AER* determines is appropriate (in which case the amount of that adjustment will be taken to be accepted by the *AER* under clause 6A.6.7(c)); and
 - (2) to reflect the effect of any resultant increase in forecast capital expenditure on:
 - (i) the forecast operating expenditure for the remainder of the *regulatory control period*;
 - (ii) the *maximum allowed revenue* for each *regulatory year* in the remainder of the *regulatory control period*; and
 - (iii) the X factor for each of the remaining *regulatory years* of the *regulatory control period*.
- (g) If the *AER* revokes and substitutes a *revenue determination* under paragraph (e), that revocation and substitution must take effect from the commencement of the next *regulatory year*.

6A.7.2 Network support pass through

- (a) This clause applies where a *network support event* occurs with respect to a *regulatory year* ('the **previous regulatory year**').
- (b) If a *network support event* occurs, a *Transmission Network Service Provider* must seek a determination by the *AER* to pass through to *Transmission Network Users* a *network support pass through amount*.
- (c) Where a *Transmission Network Service Provider* seeks a determination as referred to in paragraph (b), the provider must, within 60 *business days* of the end of the previous *regulatory year*, submit to the *AER* a written statement which specifies:
 - (1) the details of the *network support event* including whether the event was a *negative network support event* or a *positive network support event*;
 - (2) the amount that the provider proposes should be passed through to *Transmission Network Users* in the *regulatory year* following the previous *regulatory year* as a result of the *network support event*;
 - (3) evidence:
 - (i) of the actual increase in the amount of *network support payments*, including certification by an independent and appropriately qualified expert; and
 - (ii) that such amounts occur solely as a consequence of the positive *network support event*; and
 - (4) such other information as may be required pursuant to the *information guidelines* in force under clause 6A.17.2.
- (d) If the *AER* determines that a *positive network support event* has occurred in respect of a statement under paragraph (c), the *AER* must determine the *network support pass through amount*, taking into account the matters referred to in paragraph (i).
- (e) If the *AER* does not make the determination referred to in paragraph (d) within 60 *business days* from the date it receives the *Transmission Network Service Provider's* statement and accompanying evidence under paragraph (c), then, on the expiry of that period, the *AER* is taken to have determined that the amount as proposed in the provider's statement under paragraph (c) is the *network support pass through amount*.
- (f) If a *negative network support event* occurs (whether or not the occurrence of that event is notified by the provider to the *AER* under paragraph (c)) and the *AER* determines to impose a requirement on the *Transmission Network Service Provider* in relation to that *negative network support event*, the *AER* must determine the *network support pass through amount* taking into account the matters referred to in paragraph (i).

- (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 paragraph (f) 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 (f), 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 the relevant *network support event* as the *AER* considers appropriate.

Relevant factors

- (i) In making a determination under paragraph (d) or (f), the *AER* must take into account:
- (1) the matters and proposals set out in any statement given to the *AER* by the *Transmission Network Service Provider* under paragraph (c);
 - (2) in the case of a *positive network support event*, the increase in costs in the provision of *prescribed transmission services* that the provider has incurred in the preceding *regulatory year* as a result of the *positive network support event*;
 - (3) in the case of a *positive network support event*, the efficiency of the provider's decisions and actions in relation to the risk of the event, including whether the provider has failed to take any action that could reasonably be taken to reduce the magnitude of the *positive network support event* and whether the provider has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that event;
 - (4) the time cost of money based on the *weighted average cost of capital* for the provider for the relevant *regulatory control period*;
 - (5) the need to ensure that the provider only recovers any actual increment in costs under this paragraph (i) to the extent that such increment is solely as a consequence of a *network support event*; and
 - (6) any other factors the *AER* considers relevant.

6A.7.3 Cost pass through

- (a) If a *positive change event* occurs, a *Transmission Network Service Provider* may seek the approval of the *AER* to pass through to *Transmission Network Users* a *positive pass through amount*.
- (b) If a *negative change event* occurs, the *AER* may require the *Transmission Network Service Provider* to pass through to *Transmission Network Users* a *negative pass through amount* as determined by the *AER* under paragraph (g).

Positive pass through

- (c) To seek the approval of the *AER* to pass through a *positive pass through amount*, a *Transmission Network Service Provider* must submit to the *AER*, within 90 *business days* of the relevant *positive change event* occurring, a written statement which specifies:
- (1) the details of the *positive change event*;
 - (2) the date on which the *positive change event* occurred;
 - (3) the *eligible pass through amount* in respect of that *positive change event*;
 - (4) the *positive pass through amount* the provider proposes in relation to the *positive change event*;
 - (5) the amount of the *positive pass through amount* that the provider proposes should be passed through to *Transmission Network Users* in each *regulatory year* during the *regulatory control period*;
 - (6) evidence:
 - (i) of the actual and likely increase in costs referred to in subparagraph (3); and
 - (ii) that such costs occur solely as a consequence of the *positive change event*; and
 - (7) such other information as may be required pursuant to *information guidelines* in force under clause 6A.17.2.
- (d) If the *AER* determines that a *positive change event* has occurred in respect of a statement under paragraph (c), the *AER* must determine:
- (1) the *approved pass through amount*; and
 - (2) the amount of that *approved pass through amount* that should be passed through to *Transmission Network Users* in each *regulatory year* during the *regulatory control period*,
- taking into account the matters referred to in paragraph (j).
- (e) If the *AER* does not make the determinations referred to in paragraph (d) within 60 *business days* from the date it receives the *Transmission Network Service Provider's* statement and accompanying evidence under paragraph (c), then, on the expiry of that period, the *AER* is taken to have determined that:
- (1) the *positive pass through amount* as proposed in the provider's statement under paragraph (c) is the *approved pass through amount* in respect of that *positive change event*; and
 - (2) the amount of that *positive pass through amount* that the provider proposes in its statement under paragraph (c) should be passed through to *Transmission Network Users* in each *regulatory year* during the *regulatory control period*, is the amount that should be so passed through in each such *regulatory year*.

Negative pass through

- (f) A *Transmission Network Service Provider* must submit to the *AER*, within 60 *business days* of becoming aware of the occurrence of a *negative change event* for the provider, a written statement which specifies:
- (1) the details of the *negative change event* concerned;
 - (2) the date the *negative change event* occurred;
 - (3) the costs in the provision of *prescribed transmission services* that the provider has saved and is likely to save until the end of the *regulatory control period* as a result of the *negative change event*;
 - (4) the aggregate amount of those saved costs that the provider proposes should be passed through to *Transmission Network Users*;
 - (5) the amount of the costs referred to in subparagraph (4) the provider proposes should be passed through to *Transmission Network Users* in each *regulatory year* during the *regulatory control period*; and
 - (6) such other information as may be required pursuant to *information guidelines* in force under clause 6A.17.2.
- (g) If a *negative change event* occurs (whether or not the occurrence of that *negative change event* is notified by the provider to the *AER* under paragraph (f)) and the *AER* determines to impose a requirement on the provider in relation to that *negative change event* as described in paragraph (b), the *AER* must determine:
- (1) the *required pass through amount*; and
 - (2) taking into account the matters referred to in paragraph (j):
 - (i) how much of that *required pass through amount* should be passed through to *Transmission Network Users* ('the *negative pass through amount*'); and
 - (ii) the amount of that *negative pass through amount* that should be passed through to *Transmission Network Users* in each *regulatory year* during the *regulatory control period*.
- (h) A *Transmission Network Service Provider* must provide the *AER* with such information as the *AER* requires for the purpose of making a determination under paragraph (g) within the time specified by the *AER* in a notice provided to the provider by the *AER* for that purpose.

Consultation

- (i) Before making a determination under paragraph (d) or (g), 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 the relevant *pass through event* as the *AER* considers appropriate.

Relevant factors

- (j) In making a determination under paragraph (d) or (g) in respect of a *Transmission Network Service Provider*, the *AER* must take into account:
- (1) the matters and proposals set out in any statement given to the *AER* by the provider under paragraphs (c) or (f) (as the case may be);
 - (2) in the case of a *positive change event*, the increase in costs in the provision of *prescribed transmission services* that the provider has incurred and is likely to incur until the end of the *regulatory control period* as a result of the *positive change event*;
 - (3) in the case of a *positive change event*, the efficiency of the provider's decisions and actions in relation to the risk of the *positive change event*, including whether the provider has failed to take any action that could reasonably be taken to reduce the magnitude of the *eligible pass through amount* in respect of that *positive change event* and whether the provider has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that *positive change event*;
 - (4) the time cost of money based on the *weighted average cost of capital* for the provider for the relevant *regulatory control period*;
 - (5) the need to ensure that the provider only recovers any actual or likely increment in costs under this paragraph (j) to the extent that such increment is solely as a consequence of a *pass through event*;
 - (6) in the case of a *tax change event*, any change in the way another *tax* is calculated, or the removal or imposition of another *tax*, which, in the *AER*'s opinion, is complementary to the *tax change event* concerned; and
 - (7) any other factors the *AER* considers relevant.

6A.7.4 Service target performance incentive scheme

- (a) The *AER* must, in accordance with the *transmission consultation procedures*, develop and *publish* an incentive scheme ('a *service target performance incentive scheme*') that complies with the principles in paragraph (b).
- (b) The principles are that the *service target performance incentive scheme* should:
 - (1) provide incentives for each *Transmission Network Service Provider* to:
 - (i) provide greater *reliability* of the *transmission system* that is owned, controlled or operated by it at all times when *Transmission Network Users* place greatest value on the *reliability* of the *transmission system*; and

- (ii) improve and maintain the *reliability* of those elements of the *transmission system* that are most important to determining *spot prices*;
 - (2) result in a potential adjustment to the revenue that the *Transmission Network Service Provider* may earn, from the provision of *prescribed transmission services*, in each *regulatory year* in respect of which the *service target performance incentive scheme* applies;
 - (3) ensure that the maximum revenue increment or decrement as a result of the operation of the *service target performance incentive scheme* will fall within a range that is between 1% and 5% of the *maximum allowed revenue* for the relevant *regulatory year*;
 - (4) take into account the *regulatory obligations or requirements* with which *Transmission Network Service Providers* must comply;
 - (5) take into account any other incentives provided for in the *Rules* that *Transmission Network Service Providers* have to minimise capital or operating expenditure; and
 - (6) take into account the age and ratings of the assets comprising the relevant *transmission system*.
- (c) At the same time as it *publishes* a *service target performance incentive scheme*, the *AER* must also *publish* parameters (the *performance incentive scheme parameters*) for the scheme. For the avoidance of doubt, the parameters may differ as between *Transmission Network Service Providers* and over time.
- (d) The *AER* must set out in each *service target performance incentive scheme* any requirements with which the values attributed to the *performance incentive scheme parameters* must comply, and those requirements must be consistent with the principles set out in paragraph (b).
- (e) The *AER* must develop and *publish* the first *service target performance incentive scheme* under the *Rules* by 28 September 2007 and there must be a *service target performance incentive scheme* in force at all times after that date.
- (f) The *AER* may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace any scheme that is developed and *published* under this clause, except that no such amendment or replacement may change the application of the scheme to a *Transmission Network Service Provider* in respect of a *regulatory control period* that has commenced before, or that will commence within 15 months of, the amendment or replacement coming into operation.
- (g) Subject to paragraph (h) the *AER* may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace the values to be attributed to the *performance incentive scheme parameters*.

- (h) An amendment or replacement referred to in paragraph (g) must not change the values to be attributed to the *performance incentive scheme parameters* where:
 - (1) those values must be included in information accompanying a *Revenue Proposal*; and
 - (2) the *Revenue Proposal* is required to be submitted under clause 6A.10.1(a) at a time that is within 2 months of the *publication* of the amended or replaced *performance incentive scheme parameters*.

6A.8 Contingent Projects

6A.8.1 Acceptance of a Contingent Project in a revenue determination

- (a) A *Revenue Proposal* may include *proposed contingent capital expenditure*, which the *Transmission Network Service Provider* considers is reasonably required for the purpose of undertaking a *proposed contingent project*.
- (b) The *AER* must determine that a *proposed contingent project* is a *contingent project* if the *AER* is satisfied that:
 - (1) the *proposed contingent project* is reasonably required to be undertaken in order to achieve any of the *capital expenditure objectives*;
 - (2) the *proposed contingent capital expenditure*:
 - (i) is not otherwise provided for (either in part or in whole) in the total of the forecast capital expenditure for the relevant *regulatory control period* which is accepted in accordance with clause 6A.6.7(c) or substituted in accordance with clauses 6A.13.2(b)(4) and (5) (as the case may be);
 - (ii) reasonably reflects the *capital expenditure criteria*, taking into account the *capital expenditure factors*, in the context of the *proposed contingent project* as described in the *Revenue Proposal*; and
 - (iii) exceeds either \$10 million or 5% of the value of the *maximum allowed revenue* for the relevant *Transmission Network Service Provider* for the first year of the relevant *regulatory control period* whichever is the larger amount;
 - (3) the *proposed contingent project* and the *proposed contingent capital expenditure*, as described or set out in the *Revenue Proposal*, and the information provided in relation to these matters, complies with the requirements of *submission guidelines* made under clause 6A.10.2; and
 - (4) the *trigger events* in relation to the *proposed contingent project* which are proposed by the *Transmission Network Service Provider* in its *Revenue Proposal* are appropriate.

- (c) In determining whether a *trigger event* in relation to a *proposed contingent project* is appropriate for the purposes of subparagraph (b)(5), the *AER* must have regard to the need for:
- (1) a *trigger event* to be reasonably specific and capable of objective verification;
 - (2) a *trigger event* to be a condition or event, which, if it occurs, makes the undertaking of the *proposed contingent project* reasonably necessary in order to achieve any of the *capital expenditure objectives*;
 - (3) a *trigger event* to be a condition or event that generates increased costs or categories of costs that relate to a specific location rather than a condition or event that affects the *transmission network* as a whole;
 - (4) a *trigger event* to be described in such terms that the occurrence of that event or condition is all that is required for the *revenue determination* to be amended under clause 6A.8.2; and
 - (5) a *trigger event* to be an event or condition, the occurrence of which is probable during the *regulatory control period*, but the inclusion of capital expenditure in relation to it under clause 6A.6.7 is not appropriate because:
 - (i) it is not sufficiently certain that the event or condition will occur during the *regulatory control period* or if it may occur after that *regulatory control period* or not at all; or
 - (ii) subject to the requirement to satisfy clause 6A.8.1(b)(2)(iii), the costs associated with the event or condition are not sufficiently certain.

6A.8.2 Amendment of revenue determination for contingent project

- (a) Subject to paragraph (b), a *Transmission Network Service Provider* may, during a *regulatory control period*, apply to the *AER* to amend a *revenue determination* that applies to that provider where a *trigger event* for a *contingent project* in relation to that *revenue determination* has occurred.
- (b) An application referred to in paragraph (a):
- (1) must not be made within 90 *business days* prior to the end of a *regulatory year*;
 - (2) subject to subparagraph (1), must be made as soon as practicable after the occurrence of the *trigger event*;
 - (3) must contain the following information:
 - (i) an explanation that substantiates the occurrence of the *trigger event*;
 - (ii) a forecast of the total capital expenditure for the *contingent project*;

- (iii) a forecast of the capital and incremental operating expenditure, for each remaining *regulatory year* which the *Transmission Network Service Provider* considers is reasonably required for the purpose of undertaking the *contingent project*;
 - (iv) how the forecast of the total capital expenditure for the *contingent project* meets the threshold as referred to in clause 6A.8.1(b)(2)(iii);
 - (v) the intended date for commencing the *contingent project* (which must be during the *regulatory control period*);
 - (vi) the anticipated date for completing the *contingent project* (which may be after the end of the *regulatory control period*); and
 - (vii) an estimate of the incremental revenue which the *Transmission Network Service Provider* considers is likely to be required to be earned in each remaining *regulatory year* of the *regulatory control period* as a result of the *contingent project* being undertaken as described in clause 6A.8.2(b)(3)(iii); and
- (4) the estimate referred to in clause 6A.8.2(b)(3)(vii) must be calculated:
 - (i) on the basis of the capital expenditure referred to in clause 6A.8.2(b)(3)(iii);
 - (ii) on the basis of the rate of return for that *Transmission Network Service Provider* for the *regulatory control period* as determined pursuant to clause 6A.6.2;
 - (iii) consistently with the manner in which depreciation is calculated under clause 6A.6.3;
 - (iv) to include the incremental operating expenditure referred to in clause 6A.8.2(b)(3)(iii); and
 - (v) in accordance with the requirements for roll forward in the *roll-forward model* and revenue calculation in the *post-tax revenue model*.
- (c) As soon as practicable after its receipt of an application made in accordance with paragraphs (a) and (b), the *AER* must *publish* the application, together with an invitation for written submissions on the application.
- (d) The *AER* must consider any written submissions made under paragraph (c) and must make its decision on the application within 30 *business days* of its receipt of that application. In doing so the *AER* may also take into account such other information as it considers appropriate, including any analysis (such as benchmarking) that is undertaken by it for that purpose.
- (e) If the *AER* is satisfied that the *trigger event* has occurred, and that the forecast of the total capital expenditure for the *contingent project* meets the threshold as referred to in clause 6A.8.1(b)(2)(iii), it must:

- (1) determine:
 - (i) the amount of capital and incremental operating expenditure, for each remaining *regulatory year* which the *AER* considers is reasonably required for the purpose of undertaking the *contingent project*;
 - (ii) the total capital expenditure which the *AER* considers is reasonably required for the purpose of undertaking the *contingent project*;
 - (iii) the likely commencement and completion dates for the *contingent project*; and
 - (iv) the incremental revenue which is likely to be required by the *Transmission Network Service Provider* in each remaining *regulatory year* as a result of the *contingent project* being undertaken as described in clause 6A.8.2(e)(1)(i) and (ii), such estimate being calculated in accordance with subparagraph (2);
 - (2) calculate the estimate referred to in clause 6A.8.2(e)(1)(iv):
 - (i) on the basis of the capital expenditure referred to in clause 6A.8.2(e)(1)(i);
 - (ii) to include the incremental operating expenditure referred to in clause 6A.8.2(e)(1)(i); and
 - (iii) otherwise in accordance with subparagraph (b)(4); and
 - (3) amend the *revenue determination* in accordance with paragraph (h).
- (f) In making the determinations referred to in subparagraph (e)(1), the *AER* must accept the relevant amounts and dates, contained in the *Transmission Network Service Provider's* application, as referred to in clauses 6A.8.2(b)(3)(ii) – (vii), if the *AER* is satisfied that:
- (1) the forecast of the total capital expenditure for the *contingent project* meets the threshold as referred to in clause 6A.8.1(b)(2)(iii);
 - (2) the amounts of forecast capital expenditure and incremental operating expenditure reasonably reflect the *capital expenditure criteria* and the *operating expenditure criteria*, taking into account the *capital expenditure factors* and the *operating expenditure factors* respectively, in the context of the *contingent project*;
 - (3) the estimates of incremental revenue are reasonable; and
 - (4) the dates are reasonable.
- (g) In making the determinations referred to in paragraphs (e)(1) and (f), the *AER* must take into account:
- (1) the information included in or accompanying the application;
 - (2) submissions received in the course of consulting on the application;

- (3) such analysis as is undertaken by or for the *AER*;
 - (4) the expenditure that would be incurred in respect of a *contingent project* by an efficient and prudent operator in the circumstances of the *Transmission Network Service Provider*;
 - (5) the actual and expected capital expenditure of the *Transmission Network Service Provider* for *contingent projects* during any preceding *regulatory control periods*;
 - (6) the extent to which the forecast capital expenditure for the *contingent project* is referable to arrangements with a person other than the *Transmission Network Service Provider* that, in the opinion of the *AER*, do not reflect arm's length terms;
 - (7) the relative prices of operating and capital inputs in relation to the *contingent project*;
 - (8) efficient substitution possibilities between operating and capital expenditure in relation to the *contingent project*; and
 - (9) whether the total labour costs included in the capital and operating expenditure forecasts for the *regulatory control period* are consistent with the incentives provided by the *service target performance incentive scheme* that is to apply to the provider in respect of the *regulatory control period*.
- (h) Amendments to a *revenue determination* referred to in paragraph (e)(3) must only vary the determination to the extent necessary:
- (1) to adjust the forecast capital expenditure for that *regulatory control period* to accommodate the amount of capital expenditure determined under clause 6A.8.2(e)(1)(i) (in which case the amount of that adjustment will be taken to be accepted by the *AER* under clause 6A.6.7(c));
 - (2) to adjust the forecast operating expenditure for that *regulatory control period* to accommodate the amount of incremental operating expenditure determined under clause 6A.8.2(e)(1)(i) (in which case the amount of that adjustment will be taken to be accepted by the *AER* under clause 6A.6.6(c));
 - (3) to reflect the effect of any resultant increase in forecast capital and operating expenditure on:
 - (i) the *maximum allowed revenue* for each *regulatory year* in the remainder of the *regulatory control period*; and
 - (ii) the X factor for each of the remaining *regulatory years* of the *regulatory control period*.
- (i) Amendments to a *revenue determination* take effect from the commencement of the next *regulatory year* of the *regulatory control period*.

Part D - Negotiated Transmission Services

6A.9 Negotiated transmission services

6A.9.1 Principles relating to access to negotiated transmission services

The following principles constitute the *Negotiated Transmission Services Principles*:

- (1) the price for a *negotiated transmission service* should be based on the costs incurred in providing that service, determined in accordance with the principles and policies set out in the *Cost Allocation Methodology* for the relevant *Transmission Network Service Provider*;
- (2) subject to subparagraphs (3) and (4), the price for a *negotiated transmission service* should be at least equal to the avoided cost of providing it but no more than the cost of providing it on a stand alone basis;
- (3) if the *negotiated transmission service* is the provision of a *shared transmission service* that:
 - (i) exceeds the network performance requirements (if any) which that *shared transmission service* is required to meet under any *jurisdictional electricity legislation*; or
 - (ii) exceeds the *network* performance requirements set out in schedules 5.1a and 5.1,
then the differential between the price for that service and the price for the *shared transmission service* which meets (but does not exceed) the *network* performance requirements under any *jurisdictional electricity legislation* or as set out in schedules 5.1a and 5.1 (as the case may be) should reflect the increase in the *Transmission Network Service Provider's* incremental cost of providing that service;
- (4) if the *negotiated transmission service* is the provision of a *shared transmission service* that does not meet (and does not exceed) the *network* performance requirements set out in schedules 5.1a and 5.1, the differential between the price for that service and the price for the *shared transmission service* which meets (but does not exceed) the *network* performance requirements set out in schedules 5.1a and 5.1 should reflect the amount of the *Transmission Network Service Provider's* avoided cost of providing that service;
- (5) the price for a *negotiated transmission service* must be the same for all *Transmission Network Users* unless there is a material difference in the costs of providing the *negotiated transmission service* to different *Transmission Network Users* or classes of *Transmission Network Users*;
- (6) the price for a *negotiated transmission service* should be subject to adjustment over time to the extent that the assets used to provide that

- service are subsequently used to provide services to another person, in which case such adjustment should reflect the extent to which the costs of that asset is being recovered through charges to that other person;
- (7) the price for a *negotiated transmission service* should be such as to enable the *Transmission Network Service Provider* to recover the efficient costs of complying with all *regulatory obligations or requirements* associated with the provision of the *negotiated transmission service*;
 - (8) any *access charges* should be based on the costs reasonably incurred by the *Transmission Network Service Provider* in providing *transmission network user access* and (in the case of compensation referred to in rules 5.4A(h) - (j)) on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in rule 5.4A(h)-(j) where an event referred to in those paragraphs occurs;
 - (9) the *terms and conditions of access* for a *negotiated transmission service* should be fair and reasonable and consistent with the safe and *reliable* operation of the *power system* in accordance with the *Rules* (for these purposes, the price for a *negotiated transmission service* is to be treated as being fair and reasonable if it complies with principles (1) to (7) of this clause 6A.9.1);
 - (10) the *terms and conditions of access* for a *negotiated transmission service* (including, in particular, any exclusions and limitations of liability and indemnities) must not be unreasonably onerous taking into account the allocation of risk between the *Transmission Network Service Provider* and the other party, the price for the *negotiated transmission service* and the costs to the *Transmission Network Service Provider* of providing the *negotiated transmission service*; and
 - (11) the *terms and conditions of access* for a *negotiated transmission service* should take into account the need for the service to be provided in a manner that does not adversely affect the safe and *reliable* operation of the *power system* in accordance with the *Rules*.

6A.9.2 Determination of terms and conditions of access for negotiated transmission services

- (a) A *Transmission Network Service Provider* must comply with:
 - (1) the provider's *negotiating framework*; and
 - (2) the provider's *Negotiated Transmission Service Criteria*,when the provider is negotiating the *terms and conditions of access* for *negotiated transmission services* to be provided to a person.

- (b) The *Transmission Network Service Provider* must also comply with Chapters 4, 5, and this Chapter 6A of the *Rules*, including the requirements of:
 - (1) rules 5.3 and 5.4A, when negotiating for the provision of *connection services* and the associated *connection service charges*; and
 - (2) rule 5.4A when negotiating the *use of system services charges* and *access charges* to be paid to or by a *Transmission Network User*.

6A.9.3 Negotiating framework determination

The determination specifying requirements relating to the *negotiating framework* forming part of a *transmission determination* for a *Transmission Network Service Provider* is to set out requirements that are to be complied with in respect of the preparation, replacement, application or operation of the provider's *negotiating framework*.

6A.9.4 Negotiated transmission criteria determination

- (a) The determination by the *AER* specifying the *Negotiated Transmission Service Criteria* forming part of a *transmission determination* for a *Transmission Network Service Provider* is to set out the criteria that are to be applied:
 - (1) by the provider in negotiating:
 - (i) the *terms and conditions of access* for *negotiated transmission services*, including the prices that are to be charged for the provision of those services by the provider for the relevant *regulatory control period*;
 - (ii) any *access charges* which are negotiated by the provider during that *regulatory control period*; and
 - (2) by a *commercial arbitrator* in resolving any dispute, between the *Transmission Network Service Provider* and a person who wishes to receive a *negotiated transmission service*, in relation to:
 - (i) the *terms and conditions of access* for the *negotiated transmission service*, including the price that is to be charged for the provision of that service by the provider;
 - (ii) any *access charges* that are to be paid to or by the provider.
- (b) The *Negotiated Transmission Service Criteria* must give effect to and be consistent with the *Negotiated Transmission Service Principles* set out in clause 6A.9.1.

6A.9.5 Preparation of and requirements for negotiating framework

- (a) A *Transmission Network Service Provider* must prepare a document (the *negotiating framework*) setting out the procedure to be followed during negotiations between that provider and any person (the *Service Applicant* or

applicant) who wishes to receive a *negotiated transmission service* from the provider, as to the *terms and conditions of access* for provision of the service.

- (b) The *negotiating framework* for a *Transmission Network Service Provider* must comply with and be consistent with:
- (1) the applicable requirements of a *transmission determination* applying to the provider; and
 - (2) paragraph (c), which sets out the minimum requirements for a *negotiating framework*.
- (c) The *negotiating framework* for a *Transmission Network Service Provider* must specify:
- (1) a requirement for the provider and a *Service Applicant* to negotiate in good faith the *terms and conditions of access* for provision of the *negotiated transmission service*;
 - (2) a requirement for the provider to provide all such commercial information as a *Service Applicant* may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the *negotiated transmission service*, including the cost information described in subparagraph (3);
 - (3) a requirement for the provider:
 - (i) to identify and inform a *Service Applicant* of the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the *negotiated transmission service*; and
 - (ii) to demonstrate to a *Service Applicant* that the charges for providing the *negotiated transmission service* reflect those costs and/or the cost increment or decrement (as appropriate);
 - (4) a requirement for a *Service Applicant* to provide all such commercial information as the provider may reasonably require to enable the provider to engage in effective negotiation with that applicant for the provision of the *negotiated transmission service*;
 - (5) a reasonable period of time for commencing, progressing and finalising negotiations with a *Service Applicant* for the provision of the *negotiated transmission service*, and a requirement that each party to the negotiation must use its reasonable endeavours to adhere to those time periods during the negotiation;
 - (6) a process for dispute resolution which provides that all disputes as to the *terms and conditions of access* for provision of *negotiated transmission services* are to be dealt with in accordance with Part K of this Chapter 6A;

- (7) the arrangements for payment by a *Service Applicant* of the provider's reasonable direct expenses incurred in processing the application to provide the *negotiated transmission service*;
 - (8) a requirement that the *Transmission Network Service Provider* determine the potential impact on other *Transmission Network Users* of the provision of the *negotiated transmission service*; and
 - (9) a requirement that the *Transmission Network Service Provider* must notify and consult with any affected *Transmission Network Users* and ensure that the provision of the *negotiated transmission services* does not result in non-compliance with obligations in relation to other *Transmission Network Users* under the *Rules*.
- (d) Notwithstanding the foregoing, the *negotiating framework* must not be inconsistent with any of the other requirements of Chapters 4, 5 and this Chapter 6A of the *Rules* and, in the event of any inconsistency, the other requirements in the *Rules* prevail.
- (e) Each *Transmission Network Service Provider* and *Service Applicant* who is negotiating for the provision of a *negotiated transmission service* by the provider must comply with the requirements of the *negotiating framework* in accordance with its terms.

6A.9.6 Confidential information

- (a) Commercial information which is required to be provided to a *Service Applicant* in accordance with clause 6A.9.5(c)(2):
- (1) does not include confidential information provided to the *Transmission Network Service Provider* by another person; and
 - (2) may be provided subject to a condition that a *Service Applicant* must not provide any part of that commercial information to any other person without the consent of the *Transmission Network Service Provider* which provided the information to that applicant.
- (b) Commercial information which is required to be provided to a *Transmission Network Service Provider* in accordance with clause 6A.9.5(c)(4):
- (1) does not include confidential information provided to a *Service Applicant* by another person; and
 - (2) may be provided subject to a condition that the provider must not provide any part of that commercial information to any other person without the consent of the *Service Applicant* which provided the information to the provider.

6A.9.7 Commercial arbitration for negotiated transmission services

Part K of this Chapter 6A applies to any dispute which may arise between a *Transmission Network Service Provider* and a *Service Applicant* as to the *terms and conditions of access* which the provider proposes to apply to the *Service Applicant* for the provision of a *negotiated transmission service*.

Part E - Procedure – Revenue determinations, negotiating frameworks and pricing methodologies

6A.10 Revenue Proposal, proposed negotiating framework and proposed pricing methodology

6A.10.1 Submission of proposal, framework, pricing methodology and information

- (a) A *Transmission Network Service Provider* must submit to the *AER* a *Revenue Proposal* and a proposed *pricing methodology* relating to the *prescribed transmission services* that are provided by means of, or in connection with, a *transmission system* that is owned, controlled or operated by that provider:
 - (1) if any of those *prescribed transmission services* are subject to a *transmission determination*, 13 months before the expiry of the period in respect of which that *transmission determination* applies; or
 - (2) if any of those *prescribed transmission services* are not subject to a *transmission determination*, 3 months after being required to do so by the *AER*.
- (b) At the same time as it submits a *Revenue Proposal* under paragraph (a), the provider must also submit to the *AER* a proposed *negotiating framework*.
- (c) The *Revenue Proposal* and the proposed *negotiating framework* must comply with the requirements of, and must contain or be accompanied by such information as is required by, the *submission guidelines* made for that purpose under this rule 6A.10.
- (d) The proposed *negotiating framework* must also comply with the requirements of clause 6A.9.5.
- (e) A proposed *pricing methodology* 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.

6A.10.2 Submission guidelines

- (a) The *AER* must make guidelines, referred to as '*submission guidelines*', for the purposes of this Part E.
- (b) The *submission guidelines* must specify:
 - (1) the form of a *Revenue Proposal* and *negotiating framework*;

- (2) the requirements for any information contained in or accompanying the *Revenue Proposal* to be audited or otherwise verified;
- (3) what parts (if any) of the *Revenue Proposal* or the information accompanying it will not be publicly disclosed without the consent of the *Transmission Network Service Provider*, with the presumption being that at least the matters or information referred to in the following clauses will be publicly disclosed:
 - (i) clause S6A.1.1;
 - (ii) clause S6A.1.2;
 - (iii) clauses S6A.1.3(1)-(3), (4)(i) and (ii), (6), (8) and (9); and
 - (iv) clauses 6A.10.2(b)(7) and (8);
- (4) that the *Revenue Proposal* must contain at least the information and matters relating to capital expenditure set out in clause S6A.1.1;
- (5) that the *Revenue Proposal* must contain at least the information and matters relating to operating expenditure set out in clause S6A.1.2;
- (6) that the *Revenue Proposal* must contain at least the additional information and matters set out in clause S6A.1.3;
- (7) that the *Revenue Proposal* must be accompanied by such information as is necessary to enable the *AER* and other interested parties to understand the manner in which the *Transmission Network Service Provider* proposes that negotiations as to the price of *negotiated transmission services* or the amount of *access charges* will be conducted in accordance with the provider's proposed *negotiating framework*;
- (8) such other information as the *AER* considers should be contained in, or should accompany, a *Revenue Proposal* on the basis that such information is necessary to enable the *AER* and other interested parties to:
 - (i) understand how the *Transmission Network Service Provider* derived the elements of its *Revenue Proposal*; and
 - (ii) form an opinion as to whether the *Revenue Proposal* complies with the requirements of Parts B and E of this Chapter 6A; and
- (9) in the case of amounts, values or inputs that:
 - (i) cannot be determined before the submission of the *Revenue Proposal*; or
 - (ii) are required to be estimated, approved or otherwise determined by the *AER* but are not so estimated, approved or otherwise determined before the submission of the *Revenue Proposal*,

what amounts, values or inputs are to be used in their place for the purposes of the *Revenue Proposal* or revised *Revenue Proposal* (as the case may be).

- (c) Without limiting any other provision of this rule 6A.10, the *submission guidelines* must provide that:
 - (1) the information accompanying the *Revenue Proposal* must include:
 - (i) the *post-tax revenue model*, completed in such a way as to show its application to the *Transmission Network Service Provider*; and
 - (ii) the completed *roll forward model*; and
 - (2) the completed *post-tax revenue model* and proposed *roll forward model*, and the information in those models, will not be publicly disclosed without the consent of the provider, except to the extent that the information is aggregated or otherwise available apart from it being contained in those models.
- (d) The *AER* must, in accordance with the *transmission consultation procedures*, develop and make the *submission guidelines* by 28 September 2007, and there must be *submission guidelines* available at all times after that date.
- (e) The *submission guidelines* may be amended or replaced by the *AER* from time to time, in accordance with the *transmission consultation procedures*.

6A.11 Preliminary examination and consultation

6A.11.1 Preliminary examination and determination of non-compliance with relevant requirements

- (a) If the *AER* determines that:
 - (1) a *Revenue Proposal* submitted by a *Transmission Network Service Provider*;
 - (2) a proposed *negotiating framework* submitted by the provider;
 - (3) a proposed *pricing methodology* submitted by the provider; or
 - (4) information contained in or accompanying such a *Revenue Proposal*, proposed *negotiating framework*, or proposed *pricing methodology*, under clause 6A.10.1 does not comply with the requirements of:
 - (5) the *submission guidelines* (in respect of a *Revenue Proposal*);
 - (6) clause 6A.9.5 (in respect of a proposed *negotiating framework*); or
 - (7) clause 6A.10.1(e) (in respect of a proposed *pricing methodology*),
- the *AER* must notify the provider of that determination as soon as practicable after receiving that *Revenue Proposal*, proposed *negotiating*

framework, proposed *pricing methodology* or information (as the case may be).

- (b) A determination referred to in paragraph (a) must be accompanied by written reasons that set out:
 - (1) the respects in which the *Revenue Proposal*, proposed *negotiating framework*, proposed *pricing methodology* or information does not comply with the relevant requirements of the *submission guidelines* clause 6A.9.5, or clause 6A.10.1(e) (as the case may be) and the requirements that have not been complied with; and
 - (2) in the case of information which does not comply with those requirements, the reason that the submission of information in accordance with those requirements would assist the *AER* in assessing the *Revenue Proposal*, proposed *negotiating framework* or proposed *pricing methodology*.

6A.11.2 Resubmission of proposal, framework, pricing methodology or information

- (a) If the *AER* notifies a *Transmission Network Service Provider* of a determination under clause 6A.11.1, the provider must, within 1 month of that notice, resubmit its *Revenue Proposal*, proposed *negotiating framework*, proposed *pricing methodology* or the required information (as the case may be) in a form that complies with the relevant requirements set out in that determination.
- (b) A *Transmission Network Service Provider* may only make changes to its *Revenue Proposal*, proposed *negotiating framework*, or proposed *pricing methodology* for the purposes of paragraph (a) to address the matters raised in the determination under clause 6A.11.1.

6A.11.3 Resubmission of proposal, framework, pricing methodology or information

- (a) Except to the extent that the *submission guidelines* or the *pricing methodology guidelines* provide that it will not be publicly disclosed (and, in that case, the relevant *Transmission Network Service Provider* has not otherwise consented), the *AER* must *publish*:
 - (1) the *Revenue Proposal*;
 - (2) the proposed *negotiating framework*;
 - (3) the proposed *pricing methodology*; and
 - (4) the information,submitted or resubmitted to it by the provider under rule 6A.9, 6A.10 or this rule 6A.11, together with:
 - (5) the *AER's* proposed *Negotiated Transmission Service Criteria* for the provider; and

- (6) an invitation for written submissions on the documents and information referred to in subparagraphs (1)-(4),

as soon as practicable after the *AER* determines that the *Revenue Proposal*, proposed *negotiating framework*, proposed *pricing methodology* and information comply with the requirements of the *submission guidelines*, clause 6A.9.5 or clause 6A.10.1(e) (as applicable).

- (b) The *AER* may *publish* an issues paper examining the issues raised in connection with the *Revenue Proposal*, the proposed *negotiating framework*, the proposed *pricing methodology* and the proposed *Negotiated Transmission Service Criteria*, at the same time as, or subsequent to, *publication* of the invitation to make submissions referred to in paragraph (a)(6).
- (c) Any person may make a written submission to the *AER* on the *Revenue Proposal*, the proposed *negotiating framework*, the proposed *pricing methodology* or the proposed *Negotiated Transmission Service Criteria* for the provider within the time specified in the invitation referred to in paragraph (a)(6), which must be not earlier than 30 *business days* after the invitation for submissions is *published* under that paragraph.

6A.12 Draft decision and further consultation

6A.12.1 Making of draft decision

- (a) Subject to rule 6A.16(a), the *AER* must consider any written submissions made under rule 6A.11 and must make a draft decision in relation to the *Transmission Network Service Provider*.
- (b) The *AER*'s draft decision must be made in accordance with, and must comply with, the relevant requirements of rule 6A.14.
- (c) If the *AER* refuses to approve any of the amounts or values referred to in clause 6A.14.1(1), the *AER*'s draft decision must include details of the changes required or matters to be addressed before the *AER* will approve those amounts or values.
- (d) If the *AER* refuses to approve the proposed *negotiating framework*, the *AER*'s draft decision must include details of the changes required or matters to be addressed before the *AER* will approve the framework.
- (e) If the *AER* refuses to approve any aspect of a proposed *pricing methodology*, the *AER*'s draft decision must include details of the changes required or matters to be addressed before the *AER* will approve the proposed methodology.

6A.12.2 Publication of draft decision and consultation

- (a) The *AER* must, as soon as practicable but not later than 6 months after the relevant date referred to in clause 6A.10.1(a), *publish*:
- (1) its draft decision and reasons under clause 6A.12.1 and rule 6A.14;

- (2) notice of the making of the draft decision;
 - (3) notice of a predetermination conference; and
 - (4) an invitation for written submissions on its draft decision.
- (b) The *AER* must hold a predetermination conference at the time, date and place specified in the notice under paragraph (a)(3) for the purpose of explaining its draft decision and receiving oral submissions from interested parties. Any person may attend such a predetermination conference but the procedure to be adopted at the conference will be at the discretion of the senior *AER* representative in attendance.
- (c) Any person may make a written submission to the *AER* on the draft decision within the time specified in the invitation referred to in paragraph (a)(4), which must be not earlier than 45 *business days* after the holding of a predetermination conference.

6A.12.3 Submission of revised proposal, framework or pricing methodology

- (a) In addition to making such other written submissions as it considers appropriate, the *Transmission Network Service Provider* may, not more than 30 *business days* after the publication of the draft decision, submit to the *AER*:
- (1) a revised *Revenue Proposal*;
 - (2) a revised proposed *negotiating framework*; or
 - (3) a revised proposed *pricing methodology*.
- (b) A *Transmission Network Service Provider* may only make the revisions referred to in paragraph (a) so as to incorporate the substance of any changes required by, or to address matters raised in, the draft decision.
- (c) A revised *Revenue Proposal* or revised proposed *negotiating framework* must comply with the requirements of, and must contain or be accompanied by such information as is required by, the *submission guidelines*.
- (d) The revised proposed *negotiating framework* must also comply with the requirements of clause 6A.9.5.
- (e) A revised proposed *pricing methodology* must:
- (1) give effect to and be consistent with the *Pricing Principles for Prescribed Transmission Services*; and
 - (2) comply with the requirements of, and must contain or be accompanied by such information as is required by, the *pricing methodology guidelines*.
- (f) Except to the extent that the *submission guidelines* or the *pricing methodology guidelines* (as the case may be) provide that it will not be publicly disclosed (and, in that case, the *Transmission Network Service Provider* has not otherwise consented), the *AER* must *publish*:

- (1) any revised *Revenue Proposal*;
 - (2) any revised proposed *negotiating framework*; or
 - (3) any revised proposed *pricing methodology*,
- (as the case may be), that is submitted by the *Transmission Network Service Provider* under paragraph (a), together with the accompanying information, as soon as practicable after receipt by the *AER*.

6A.13 Final decision

6A.13.1 Making of final decision

- (a) Subject to rule 6A.16(a), the *AER* must consider any submissions made on the draft decision, or on any revised *Revenue Proposal*, revised proposed *negotiating framework* or revised proposed *pricing methodology* submitted to it under clause 6A.12.3, and must make a final decision in relation to the *Transmission Network Service Provider*.
- (b) The *AER's* final decision must be made in accordance with, and must comply with, the relevant requirements of rule 6A.14.

6A.13.2 Refusal to approve amounts, values, framework or pricing methodology

- (a) If the *AER's* final decision is to refuse to approve an amount or value referred to in clause 6A.14.1(1), the *AER* must include in its final decision a substitute amount or value which, except as provided in paragraph (b), is:
 - (1) determined on the basis of the current *Revenue Proposal*; and
 - (2) amended from that basis only to the extent necessary to enable it to be approved in accordance with the *Rules*.
- (b) If the *AER's* final decision is to refuse to approve an amount or value referred to in clause 6A.14.1(1) for the reason that, or a reason which includes the reason that, the *AER* is not satisfied that:
 - (1) the total of the forecast operating expenditure for the *regulatory control period* reasonably reflects the *operating expenditure criteria*, taking into account the *operating expenditure factors*; or
 - (2) the total of the forecast capital expenditure for the *regulatory control period* reasonably reflects the *capital expenditure criteria*, taking into account the *capital expenditure factors*,the *AER* must:
 - (3) where subparagraph (1) applies, include in its final decision (in addition to the estimate referred to in clause 6A.14.1(3)(ii)) the forecast operating expenditure for each *regulatory year* which the *AER* is satisfied reasonably reflects the *operating expenditure criteria*, taking into account the *operating expenditure factors*, subject only to

- the requirement that the total of such forecasts must equate to the estimate referred to in clause 6A.14.1(3)(ii);
- (4) where subparagraph (2) applies, include in its final decision (in addition to the estimate referred to in clause 6A.14.1(2)(ii)) the forecast capital expenditure for each *regulatory year* which the *AER* is satisfied reasonably reflects the *capital expenditure criteria*, taking into account the *capital expenditure factors*, subject only to the requirement that the total of such forecasts must equate to the estimate referred to in clause 6A.14.1(2)(ii); and
 - (5) use each such amount (and its components) in place of the forecast of required operating or capital expenditure that is included in the current *Revenue Proposal* for the purposes of calculating the amount or value that it has refused to approve in its final decision.
- (c) If the *AER's* final decision is to refuse to approve the proposed *negotiating framework* referred to in clause 6A.14.1(6), the *AER* must include in its final decision an amended *negotiating framework* which is:
- (1) determined on the basis of the current proposed *negotiating framework*; and
 - (2) amended from that basis only to the extent necessary to enable it to be approved in accordance with the *Rules*.
- (d) If the *AER's* final decision is to refuse to approve the proposed *pricing methodology*, the *AER* must include in its final decision an amended *pricing methodology* which is:
- (1) determined on the basis of the current proposed *pricing methodology*; and
 - (2) amended from that basis only to the extent necessary to enable it to be approved in accordance with the *Rules*.

6A.13.3 Notice of final decision

The *AER* must as soon as practicable, but not later than 2 months before the commencement of the relevant *regulatory control period*, *publish*:

- (1) notice of the making of the final decision; and
- (2) the final decision, including the reasons required to be included in it.

6A.13.4 Making of transmission determination

The *AER* must, as soon as practicable after making its final decision, make the *transmission determination* to which the final decision relates.

6A.14 Requirements relating to draft and final decisions

6A.14.1 Contents of decisions

A draft decision under rule 6A.12 or a final decision under rule 6A.13 is a decision by the *AER*:

- (1) on the *Transmission Network Service Provider's* current *Revenue Proposal* in which the AER either approves or refuses to approve:
 - (i) the *total revenue cap* for the provider for the *regulatory control period*;
 - (ii) the *maximum allowed revenue* for the provider for each *regulatory year* of the *regulatory control period*;
 - (iii) the values that are to be attributed to the *performance incentive scheme parameters* for the *service target performance incentive scheme* that is to apply to the provider in respect of the *regulatory control period*;
 - (iv) the values that are to be attributed to the *efficiency benefit sharing scheme parameters* for the *efficiency benefit sharing scheme* that is to apply to the provider in respect of the *regulatory control period*; and
 - (v) the commencement and length of the *regulatory control period* that has been proposed by the provider,as set out in the *Revenue Proposal*, setting out the reasons for the decision;
- (2) in which the AER either:
 - (i) acting in accordance with clause 6A.6.7(c), accepts the total of the forecast capital expenditure for the *regulatory control period* that is included in the current *Revenue Proposal*; or
 - (ii) acting in accordance with clause 6A.6.7(d), does not accept the total of the forecast capital expenditure for the *regulatory control period* that is included in the current *Revenue Proposal*, in which case the AER must set out its reasons for that decision and an estimate of the total of the *Transmission Network Service Provider's* required capital expenditure for the *regulatory control period* that the AER is satisfied reasonably reflects the *capital expenditure criteria*, taking into account the *capital expenditure factors*;
- (3) in which the AER either:
 - (i) acting in accordance with clause 6A.6.6(c), accepts the total of the forecast operating expenditure for the *regulatory control period* that is included in the current *Revenue Proposal*; or
 - (ii) acting in accordance with clause 6A.6.6(d), does not accept the total of the forecast operating expenditure for the *regulatory control period* that is included in the current *Revenue Proposal*, in which case the AER must set out its reasons for that decision and an estimate of the total of the *Transmission Network Service Provider's* required operating expenditure for the *regulatory control period* that the AER is satisfied reasonably reflects the

- operating expenditure criteria*, taking into account the *operating expenditure factors*;
- (4) in which the *AER* determines:
- (i) whether each of the *proposed contingent projects* (if any) described in the current *Revenue Proposal* are *contingent projects* for the purposes of the *revenue determination* in which case the decision must clearly identify each of those *contingent projects*;
 - (ii) the capital expenditure that it is satisfied reasonably reflects the *capital expenditure criteria*, taking into account the *capital expenditure factors*, in the context of each *contingent project* as described in the current *Revenue Proposal*;
 - (iii) the *trigger events* in relation to each *contingent project* (in which case the decision must clearly specify those *trigger events*); and
 - (iv) if the *AER* determines that such a *proposed contingent project* is not a *contingent project* for the purposes of the *revenue determination*, its reasons for that conclusion, having regard to the requirements of clause 6A.8.1(b);
- (5) in which the *AER* sets out the amounts, values or inputs that it has used in place of those referred to in clause 6A.10.2(b)(9);
- (6) on the provider's current proposed *negotiating framework*, in which the *AER* either approves or refuses to approve the proposed *negotiating framework*, setting out reasons for its decision;
- (7) in which the *AER* specifies the *Negotiated Transmission Service Pricing Criteria* for the *Transmission Network Service Provider*, setting out the reasons for the decision; and
- (8) on the *Transmission Network Service Provider's* current proposed *pricing methodology*, in which the *AER* either approves or refuses to approve that methodology and sets out reasons for its decision.

6A.14.2 Reasons for decisions

The reasons given by the *AER* for a draft decision under rule 6A.12 or a final decision under rule 6A.13 must set out the basis and rationale of the decision, including:

- (1) details of the qualitative and quantitative methodologies applied in any calculations and formulae made or used by the *AER* for the purposes of its decision;
- (2) the values adopted by the *AER* for each of the input variables in any calculations and formulae, including:
 - (i) whether those values have been taken or derived from the provider's current *Revenue Proposal*; and

- (ii) if not, the rationale for the adoption of those values;
- (3) details of any assumptions made by the *AER* in undertaking any material qualitative and quantitative analyses for the purposes of the decision; and
- (4) reasons for the making of any decisions, the giving or withholding of any approvals, and the exercise of any discretions, as referred to in Part C of this Chapter 6A, for the purposes of the decision.

6A.14.3 Circumstances in which matters must be approved or accepted

- (a) This clause set out the circumstances in which the *AER* must approve or accept certain matters for the purposes of a draft decision under rule 6A.12 or a final decision under rule 6A.13. Subject to any provision of this Chapter 6A, if the *AER* is not required to approve or accept such a matter in accordance with this clause, it may, but is not required to, refuse to approve or accept that matter.
- (b) The *AER* must approve:
 - (1) the *total revenue cap* for a *Transmission Network Service Provider* for a *regulatory control period*; and
 - (2) the *maximum allowed revenue* for the provider for each *regulatory year* of the *regulatory control period*,as set out in the current *Revenue Proposal*, if the *AER* is satisfied that:
 - (3) those amounts have been properly calculated using the *post-tax revenue model*; and
 - (4) those amounts, and any amount required to be calculated, determined or forecast for the purposes of calculating those amounts, have otherwise been calculated, determined or forecast in accordance with the requirements of Part C of this Chapter 6A, (for these purposes, the *AER* is taken to be so satisfied in respect of a particular amount if another provision of this Chapter 6A requires the *AER* to approve or accept that amount).
- (c) If a *Transmission Network Service Provider's* revised *Revenue Proposal* submitted under clause 6A.12.3(a) includes:
 - (1) an amount of total forecast capital expenditure for the *regulatory control period* that is the same as that accepted or estimated (as the case may be) by the *AER* in a draft decision under rule 6A.12; or
 - (2) an amount of total forecast operating expenditure for the *regulatory control period* that is the same as that accepted or estimated (as the case may be) by the *AER* in a draft decision under rule 6A.12,then, except to the extent that:
 - (3) either or both of the following apply:

- (i) other changes have been made in the revised *Revenue Proposal*;
or
 - (ii) the information contained in or accompanying the revised *Revenue Proposal* differs from that contained in or accompanying the previous *Revenue Proposal*; and
- (4) the changes are such that the *AER* is not satisfied as referred to in clauses 6A.6.6(c) or 6A.6.7(c) (as the case may be),

the *AER*, in its final decision, must accept the forecast of required operating expenditure or of required capital expenditure (as the case may be) that is included in the revised *Revenue Proposal*.

- (d) The *AER* must approve:
- (1) the values that are to be attributed to the *performance incentive scheme parameters* for the *service target performance incentive scheme* that is to apply to a *Transmission Network Service Provider* in respect of a *regulatory control period*; and
 - (2) the values that are to be attributed to the *efficiency benefit sharing scheme parameters* for the *efficiency benefit sharing scheme* that is to apply to a *Transmission Network Service Provider* in respect of a *regulatory control period*,

as set out in the current *Revenue Proposal*, if the *AER* is satisfied that those values comply with the requirements relating to them set out in the *service target performance incentive scheme* or the *efficiency benefit sharing scheme* (as the case may be).

- (e) The *AER* must approve the commencement and length of the *regulatory control period* as proposed by a *Transmission Network Service Provider* in the provider's current *Revenue Proposal* if the length of the *regulatory control period* as so proposed is 5 *regulatory years*.
- (f) The *AER* must approve a *Transmission Network Service Provider's* current proposed *negotiating framework* if the *AER* is satisfied that the relevant proposed *negotiating framework* meets the requirements set out in clause 6A.9.5(c).
- (g) The *AER* must approve a *Transmission Network Service Provider's* current proposed *pricing methodology* if the *AER* is satisfied that the methodology:
- (1) gives effect to and is consistent with the *Pricing Principles for Prescribed Transmission Services*; and
 - (2) complies with the requirements of the *pricing methodology guidelines*.
- (h) If a *Transmission Network Service Provider's* revised *Revenue Proposal*, revised proposed *negotiating framework* or revised proposed *pricing methodology* (as the case may be) submitted under clause 6A.12.3(a):
- (1) contains the changes required under clause 6A.12.1; or

- (2) does not contain those changes but otherwise (in the *AER's* view), adequately addresses the matters which prompted the *AER* to require those changes,

then, except to the extent that:

- (3) either or both of the following apply:
- (i) other changes have been made in the revised *Revenue Proposal*, the revised proposed *negotiating framework* or the revised proposed *pricing methodology*, by the provider; or
 - (ii) the information contained in or accompanying the revised *Revenue Proposal*, revised proposed *negotiating framework* or revised proposed *pricing methodology* differs from that contained in or accompanying the previous *Revenue Proposal*, proposed *negotiating framework* or proposed *pricing methodology* submitted or resubmitted; and
- (4) the changes would justify the *AER*, in its final decision, in refusing to approve the amounts or values referred to in clause 6A.14.1(5), the proposed *negotiating framework* referred to in clause 6A.13.2(c) or the proposed *pricing methodology* referred to in clause 6A.13.2(d),

the *AER's* final decision must be to approve those amounts or values, that proposed *negotiating framework* or that proposed *pricing methodology*.

- (i) The *AER* must only specify criteria as *Negotiated Transmission Service Criteria* for a *Transmission Network Service Provider* in a draft or final decision under rule 6A.12 or 6A.13 if those criteria give effect to and are consistent with the *Negotiated Transmission Services Principles*.

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

- (a) Except as provided in clause 6A.7.1(d), the *AER* may only revoke a *revenue determination* or amend an existing *pricing methodology* during a *regulatory control period* where it appears to the *AER* that:
- (1) the *total revenue cap* was set or the *pricing methodology* was approved on the basis of information provided by or on behalf of the relevant *Transmission Network Service Provider* to the *AER* that was false or misleading in a material particular; or
 - (2) there was a material error in the *total revenue cap* or in the *pricing methodology*.
- (b) If the *AER* revokes a *revenue determination* under paragraph (a)(1), the *AER* must make a new *revenue determination* in substitution for the revoked *revenue determination* to apply for the remainder of the *regulatory control period* for which the revoked *revenue determination* was to apply.

- (c) If the *AER* revokes a *revenue determination* under paragraph (a)(2), the substituted *revenue determination* must only vary from the revoked *revenue determination* to the extent necessary to correct the relevant error.
- (d) If the *AER* amends a *pricing methodology* under paragraph (a)(1), the amended methodology applies to the setting of prices for the next *financial year* and for the remainder of the relevant *regulatory control period*.
- (e) If the *AER* amends a *pricing methodology* under paragraph (a)(2), the amended methodology must only vary from the existing *pricing methodology* to the extent necessary to correct the relevant error.
- (f) The *AER* may only revoke and substitute a *revenue determination* or amend a *pricing methodology* under this rule 6A.15, if it has first consulted with the relevant *Transmission Network Service Provider* and such other persons as it considers appropriate.

6A.16 Miscellaneous

- (a) The *AER* may, but is not required to, consider any submission made pursuant to an invitation for submissions after the time for making the submission has expired.
- (b) Nothing in this Part E is to be construed as precluding the *AER* from *publishing* any issues, consultation and discussion papers, or holding any conferences and information sessions, that the *AER* considers appropriate.
- (c) Subject to paragraph (d), as soon as practicable after the *AER* receives a submission in response to an invitation referred to in clause 6A.11.3(a)(6) or 6A.12.2(a)(4) (whether or not the submission was made before the time for making it has expired), the *AER* must *publish* that submission.
- (d) The *AER* must not *publish* a submission referred to in paragraph (c) to the extent it contains information which has been clearly identified as confidential by the person making the submission.
- (e) The *AER* may give such weight to confidential information identified in accordance with paragraph (d) in a submission as it considers appropriate, having regard to the fact that such information has not been made publicly available.
- (f) Paragraph (d) does not apply to the extent that any other provision of the *Rules* permits or requires such information to be publicly released by the *AER*.

Part F - Information Disclosure

6A.17 Information disclosure by Transmission Network Service Providers

6A.17.1 Information to be provided to AER

- (a) In this rule 6A.17, ‘**certified annual statement**’ means an annual statement provided by a *Transmission Network Service Provider* under this rule 6A.17 and certified in accordance with the *information guidelines*.
- (b) A *Transmission Network Service Provider* must submit to the AER, in the manner and form set out in the *information guidelines*, annual statements that:
 - (1) provide a true and fair statement of the financial and operating performance of the provider;
 - (2) are certified in accordance with the *information guidelines*; and
 - (3) otherwise comply with the requirements of this clause and the *information guidelines*.
- (c) In addition to the certified annual statements, the AER may require a *Transmission Network Service Provider* to provide, by a date and in the form and manner specified by the AER, any additional information the AER reasonably requires for a purpose set out in paragraph (d).
- (d) The certified annual statements and additional information provided by a *Transmission Network Service Provider* to the AER under this rule 6A.17 may be used by the AER only for the following purposes:
 - (1) to monitor, report on and enforce the compliance of the provider with the *total revenue cap* for the provider for a *regulatory control period*, the *maximum allowed revenue* for the provider for each *regulatory year*, and any requirements that are imposed on the provider under a *transmission determination*;
 - (2) to monitor, report on and enforce compliance with the provider’s *Cost Allocation Methodology*;
 - (3) as an input regarding the financial, economic and operational performance of the provider, to inform the AER’s decision-making for the making of *revenue determinations* or other regulatory controls to apply in future *regulatory control periods*; and
 - (4) to monitor and report on the performance of the provider under any *service target performance incentive scheme* that applies to it;
 - (5) for the preparation of a *network service provider performance report*.
- (e) The AER may request or undertake verification or independent audit of any information sought by it, or provided to it, under this rule 6A.17.

6A.17.2 Information Guidelines

Preparation, publication and amendment of Information Guidelines

- (a) The *AER* must, in accordance with the *transmission consultation procedures*, prepare and *publish information guidelines*.
- (b) The *AER* may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace the *information guidelines*.
- (c) The *AER* must develop and publish the first *information guidelines* by 28 September 2007 and there must be *information guidelines* available at all times after that date.

Contents of information guidelines

- (d) The *information guidelines* must provide for the manner and form in which *Transmission Network Service Providers* must submit certified annual statements to the *AER*, including the date each year by which those statements must be submitted to the *AER*.
- (e) The *information guidelines* may only require the inclusion in the certified annual statements of:
 - (1) such information as the *AER* reasonably requires for a purpose set out in clause 6A.17.1(d);
 - (2) information on the amount of each instance, during the relevant reporting period, of a reduction under clause 6A.26.1(c) in the prices payable by a *Transmission Customer* for *prescribed TUOS services* or *prescribed common transmission services* provided by the *Transmission Network Service Provider*;
 - (3) information on each instance, during the relevant reporting period, of a reduction in the prices payable by a *Transmission Customer* for *prescribed TUOS services* or *prescribed common transmission services* (or both) that were recovered under rule 6A.26 from other *Transmission Customers* for *prescribed TUOS services* or *prescribed common transmission services*; and
 - (4) information to substantiate any claim by the *Transmission Network Service Provider* that the information provided to the *AER* with respect to reductions in the prices payable by a *Transmission Customer* for the relevant *prescribed transmission services* under subparagraph (2) or (3) is confidential information.
- (f) The *information guidelines* may provide for the information that must accompany a written statement seeking approval of the *AER* to pass through a *positive pass through amount* or a *negative pass through amount* under clause 6A.7.3.
- (g) The *information guidelines* may specify the information that must be submitted with any application made under clause 6A.26.2(b), including:

- (1) details of the circumstances in which a discount amount has arisen and of the calculation of the proposed recovery amount; and
 - (2) the information necessary to substantiate how the requirements of clause 6A.26.1(f) are satisfied.
- (h) The *information guidelines* may provide, for the purposes of rule 6A.27, rule 6A.28 and rule 6A.29, for:
- (1) the information that each *Transmission Network Service Provider* must supply to a *Co-ordinating Network Service Provider* and other *Transmission Network Service Providers* for the purposes of cost allocation under the provider's *pricing methodology*, including:
 - (i) electrical parameters for each optimised element of the *network* and the *network* configuration;
 - (ii) hourly *load* data for each exit point for the *survey period*;
 - (iii) hourly *generation* data for each entry point for the *survey period*;
 - (iv) *voltage* control arrangements and *voltage* profile; and
 - (v) the *ASRR* for the categories of *prescribed TUOS services* and *prescribed common transmission services*.
 - (2) the derivation of hourly *load* data from *metering data* by the aggregation of the *energy meter* reading figures in respect of each hour.

6A.18 [Deleted]

Part G - Cost Allocation

6A.19 Cost allocation

6A.19.1 Duty to comply with Cost Allocation Methodology

A *Transmission Network Service Provider* must comply with the *Cost Allocation Methodology* that has been approved in respect of that provider from time to time by the *AER* under this rule 6A.19.

6A.19.2 Cost Allocation Principles

The following principles constitute the *Cost Allocation Principles*:

- (1) the detailed principles and policies used by a *Transmission Network Service Provider* to allocate costs between different categories of *transmission services* must be described in sufficient detail to enable the *AER* to replicate reported outcomes through the application of those principles and policies;

- (2) the allocation of costs must be determined according to the substance of a transaction or event rather than its legal form;
- (3) only the following costs may be allocated to a particular category of *transmission services*:
 - (i) costs which are directly attributable to the provision of those services; and
 - (ii) costs which are not directly attributable to the provision of those services but which are incurred in providing those services, in which case such costs must be allocated to the provision of those services using an appropriate allocator which should:
 - (A) except to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be causation based; and
 - (B) to the extent the cost is immaterial or a causal based method of allocation cannot be established without undue cost and effort, be an allocator that accords with a well accepted *Cost Allocation Methodology*;
- (4) any *Cost Allocation Methodology* which is used, the reasons for using that methodology and the numeric quantity (if any) of the chosen allocator must be clearly described;
- (5) the same cost must not be allocated more than once;
- (6) the principles, policies and approach used to allocate costs must be consistent with the *Transmission Ring-Fencing Guidelines*;
- (7) costs which have been allocated to *prescribed transmission services* must not be reallocated to *negotiated transmission services*; and
- (8) costs which have been allocated to *negotiated transmission services* may be reallocated to *prescribed transmission services* to the extent they satisfy the principle referred to in subparagraph (3).

Note. The Cost Allocation Guidelines are required by clause 6A.19.3 to give effect to and be consistent with, the Cost Allocation Principles.

6A.19.3 Cost Allocation Guidelines

- (a) The *AER* must, in accordance with the *transmission consultation procedures*, make guidelines (the *Cost Allocation Guidelines*) relating to the preparation by a *Transmission Network Service Provider* of its *Cost Allocation Methodology*.
- (b) The *Cost Allocation Guidelines*:
 - (1) must give effect to and be consistent with the *Cost Allocation Principles*; and
 - (2) may be amended by the *AER* from time to time in accordance with the *transmission consultation procedures*.

- (c) Without limiting the generality of paragraph (b), the *Cost Allocation Guidelines* may specify:
 - (1) the format of a *Cost Allocation Methodology*;
 - (2) the detailed information that is to be included in a *Cost Allocation Methodology*;
 - (3) the categories of *transmission services* which are to be separately addressed in a *Cost Allocation Methodology*, such categories being determined by reference to the nature of those services, the persons to whom those services are provided or such other factors as the *AER* considers appropriate; and
 - (4) the allocation methodologies which are acceptable and the supporting information that is to be included in relation to such methodologies in a *Cost Allocation Methodology*.
- (d) The *AER* may, from time to time and in accordance with the *transmission consultation procedures*, amend or replace the *Cost Allocation Guidelines*.
- (e) The *AER* must, in accordance with the *transmission consultation procedures*, develop and *publish* the first *Cost Allocation Guidelines* by 28 September 2007 and there must be *Cost Allocation Guidelines* available at all times after that date.

6A.19.4 Cost Allocation Methodology

- (a) Each *Transmission Network Service Provider* must submit to the *AER* for its approval a document setting out its proposed *Cost Allocation Methodology*:
 - (1) by no later than 28 March 2008; or
 - (2) in the case of an entity that is not a *Transmission Network Service Provider* as at 28 September 2007, within 6 months of being required to do so by the *AER*.
- (b) The *Cost Allocation Methodology* proposed by a *Transmission Network Service Provider* must give effect to and be consistent with the *Cost Allocation Guidelines*.
- (c) The *AER* may approve or refuse to approve a *Cost Allocation Methodology* submitted under paragraph (a).
- (d) The *AER* must notify the relevant *Transmission Network Service Provider* of its decision to approve or refuse to approve the *Cost Allocation Methodology* submitted to it under paragraph (a) within 6 months of its submission, failing which the *AER* will be taken to have approved it.
- (e) As part of giving any approval referred to in paragraph (c), the *AER* may, after consulting with the relevant *Transmission Network Service Provider*, amend the *Cost Allocation Methodology* submitted to it, in which case the *Cost Allocation Methodology* as so amended will be taken to be approved by the *AER*.

- (f) A *Transmission Network Service Provider* may amend its *Cost Allocation Methodology* from time to time but the amendment only comes into effect:
 - (1) 6 months after the submission of the amendment, together with detailed reasons for the amendment, to the *AER* (unless the *AER* approves that amendment earlier, in which case it will come into effect when that earlier approval is given); and
 - (2) subject to such changes to the *Cost Allocation Methodology* (including the proposed amendment) as the *AER* notifies to the *Transmission Network Service Provider* within that period, being changes that the *AER* reasonably considers are necessary or desirable as a result of that amendment.
- (g) A *Transmission Network Service Provider* must amend its *Cost Allocation Methodology* where the amendment is required by the *AER* to take into account any change to the *Cost Allocation Guidelines*, but the amendment only comes into effect:
 - (1) on the date that the *AER* approves that amendment, or 3 months after the submission of the amendment, whichever is the earlier; and
 - (2) subject to such changes to the *Cost Allocation Methodology* (including the proposed amendment) as the *AER* notifies to the *Transmission Network Service Provider* within that period, being changes that the *AER* reasonably considers are necessary or desirable as a result of that amendment.
- (h) A *Transmission Network Service Provider* must maintain a current copy of its *Cost Allocation Methodology* on its website.

Part H - Transmission Consultation Procedures

6A.20 Transmission consultation procedures

- (a) This rule 6A.20 applies wherever the *AER* or the *AEMC* is required to comply with the *transmission consultation procedures*. For the avoidance of doubt, the *transmission consultation procedures*:
 - (1) are separate from, and do not apply to, the process for changing the *Rules* under Part 7 of the *National Electricity Law*; and
 - (2) are separate from, and (where they are required to be complied with) apply to the exclusion of, the *Rules consultation procedures* under rule 8.9.
- (b) If the *AER* or the *AEMC* is required to comply with the *transmission consultation procedures* in making, developing or amending any guidelines, models or schemes, or in reviewing any values or methodologies, it must *publish*:

- (1) the proposed guideline, model, scheme, amendment or revised value or methodology;
 - (2) an explanatory statement that sets out the provision of the *Rules* under or for the purposes of which the guideline, model, scheme or amendment is proposed to be made or developed or the value or methodology is required to be reviewed, and the reasons for the proposed guideline, model, scheme, amendment or revised value or methodology; and
 - (3) an invitation for written submissions on the proposed guideline, model, scheme, amendment or revised value or methodology.
- (c) The invitation must allow no less than 30 *business days* for the making of submissions, and the *AER* or the *AEMC* is not required to consider any submission made pursuant to that invitation after this time period has expired.
- (d) The *AER* or the *AEMC* may publish such issues, consultation and discussion papers, and hold such conferences and information sessions, in relation to the proposed guideline, model, scheme, amendment or revised value or methodology as it considers appropriate.
- (e) Within 80 *business days* of *publishing* the documents referred to in paragraph (b), the *AER* or the *AEMC* must *publish*:
- (1) its final decision on the guideline, model, scheme, amendment, value or methodology that sets out:
 - (i) the guideline, model, scheme, amendment or revised value or methodology (if any);
 - (ii) the provision of the *Rules* under which or for the purposes of which the guideline, model, scheme or amendment is being made or developed or the value or methodology is being reviewed; and
 - (iii) the reasons for the guideline, model, scheme, amendment value or methodology; and
 - (2) notice of the making of the final decision on the guideline, model, scheme, amendment, value or methodology.
- (f) Subject to paragraph (c), the *AER* or the *AEMC* must, in making its final decision referred to in paragraph (e)(1), consider any submissions made pursuant to the invitation for submissions referred to in paragraph (b)(3), and the reasons referred to in paragraph (e)(1)(iii) must include:
- (1) a summary of each issue raised in those submissions that the *AER* or the *AEMC* reasonably considers to be material; and
 - (2) the *AER's* or the *AEMC's* response to each such issue.

Part I - Ring-Fencing Arrangements for Transmission Network Service Providers

6A.21 Transmission Ring-Fencing Guidelines

6A.21.1 Compliance with Transmission Ring-Fencing Guidelines

All *Transmission Network Service Providers* including *Market Network Service Providers*, must comply with the *Transmission Ring-Fencing Guidelines* prepared in accordance with clause 6A.21.2 as from the time that any *jurisdictional derogation* from this rule 6A.21 ceases to apply in respect of the *participating jurisdiction* in which the *Transmission Network Service Provider* is located.

6A.21.2 Development of Transmission Ring-Fencing Guidelines

- (a) *Transmission Ring-fencing guidelines* must be developed by the AER in consultation with each *participating jurisdiction* for the accounting and functional separation of the provision of *prescribed transmission services* by *Transmission Network Service Providers* from the provision of other services by *Transmission Network Service Providers* (the '*Transmission Ring-Fencing Guidelines*').
- (b) The *Transmission Ring-Fencing Guidelines* may include, but are not limited to:
 - (1) provisions defining the need for and extent of:
 - (i) legal separation of the entity through which a *Transmission Network Service Provider* provides *network services* from any other entity through which it conducts business;
 - (ii) the establishment and maintenance of consolidated and separate accounts for *prescribed transmission services* and other services provided by the *Transmission Network Service Provider*;
 - (iii) allocation of costs between *prescribed transmission services* and other services provided by the *Transmission Network Service Provider*;
 - (iv) limitations on the flow of information between the *Transmission Network Service Provider* and any other person; and
 - (v) limitations on the flow of information where there is the potential for a competitive disadvantage between those parts of the *Transmission Network Service Provider's* business which provide *prescribed transmission services* and parts of the provider's business which provide any other services; and
 - (2) provisions allowing the AER to add to or to waive a *Transmission Network Service Provider's* obligations under the *Transmission Ring-Fencing Guidelines*.

- (c) In developing the *Transmission Ring-Fencing Guidelines* the AER must consider, without limitation, the following matters:
 - (1) the need, so far as practicable, for consistency with Federal and State regulation in each *participating jurisdiction* of ring-fencing requirements of other utility businesses; and
 - (2) the need, so far as practicable, for consistency between the *Transmission Ring-Fencing Guidelines* and *Distribution Ring-Fencing Guidelines*.
- (d) In developing or amending the *Transmission Ring-Fencing Guidelines*, the AER must consult with *participating jurisdictions*, *Registered Participants*, *NEMMCO* and other *interested parties*, and such consultation must be otherwise in accordance with the *transmission consultation procedures*.

Part J – Prescribed Transmission Services - Regulation of Pricing

6A.22 Terms used in Part J

6A.22.1 Aggregate annual revenue requirement (AARR)

For the purposes of this Part J, the *aggregate annual revenue requirement (AARR)* for *prescribed transmission services* provided by a *Transmission Network Service Provider*, is the *maximum allowed revenue* referred to in clause 6A.3.1 adjusted:

- (1) in accordance with clause 6A.3.2, and
- (2) by subtracting the operating and maintenance costs expected to be incurred in the provision of *prescribed common transmission services*.

6A.22.2 Annual service revenue requirement (ASRR)

For the purposes of this Part J, the *annual service revenue requirement (ASRR)* for a *Transmission Network Service Provider* is the portion of the AARR for *prescribed transmission services* provided by a *Transmission Network Service Provider* that is allocated to each *category of prescribed transmission services* for that provider and that is calculated by multiplying the AARR by the *attributable cost share* for that category of services in accordance with the principles in clause 6A.23.2.

6A.22.3 Meaning of attributable cost share

- (a) For a *Transmission Network Service Provider* for a *category of prescribed transmission services*, the *attributable cost share* for that provider for that category of services must, subject to any adjustment required under the principles in clause 6A.23.2, substantially reflect the ratio of:
 - (1) the costs of the *transmission system* assets directly attributable to the provision of that *category of prescribed transmission services*; to

- (2) the total costs of all the *Transmission Network Service Provider's transmission system* assets directly attributable to the provision of *prescribed transmission services*.
- (b) The costs of the *transmission system* assets referred to in paragraph (a) refers to optimised replacement cost or to an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the *Transmission Network Service Provider*.

6A.22.4 Meaning of attributable connection point cost share

- (a) For a *Transmission Network Service Provider* for *prescribed entry services* and *prescribed exit services*, the *attributable connection point cost share* for that provider for each of those categories of services must substantially reflect the ratio of:
 - (1) the costs of the *transmission system* assets directly attributable to the provision of *prescribed entry services* or *prescribed exit services*, respectively, at a *transmission network connection point*; to
 - (2) the total costs of all the *Transmission Network Service Provider's transmission system* assets directly attributable to the provision of *prescribed entry services* or *prescribed exit services*, respectively.
- (b) The costs of the *transmission system* assets referred to in paragraph (a) refers to optimised replacement cost or to an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the *Transmission Network Service Provider*.

6A.23 Pricing Principles for Prescribed Transmission Services

6A.23.1 Introduction

- (a) This rule 6A.23 sets out the principles that constitute the *Pricing Principles for Prescribed Transmission Services*.
- (b) The *Pricing Principles for Prescribed Transmission Services* are given effect by *pricing methodologies*.

6A.23.2 Principles for the allocation of the AARR to categories of prescribed transmission services

The *aggregate annual revenue requirement* for *prescribed transmission services* provided by a *Transmission Network Service Provider* is to be allocated in accordance with the following principles:

- (a) The *AARR* for a *Transmission Network Service Provider* must be allocated to each *category of prescribed transmission services* in accordance with the *attributable cost share* for each such category of services.
- (b) This allocation results in the *annual service revenue requirement (ASRR)* for that category of services.
- (c) The allocation of the *AARR* must be such that:

- (1) every portion of the *AARR* is allocated; and
 - (2) the same portion of the *AARR* is not allocated more than once.
- (d) Where, as a result of the application of the *attributable cost share*, a portion of the *AARR* would be attributable to more than one category of *prescribed transmission services*, that *attributable cost share* is to be adjusted and applied such that any costs of a *transmission system* asset that would otherwise be attributed to the provision of more than one category of *prescribed transmission services*, is allocated as follows:
- (1) to the provision of *prescribed TUOS services*, but only to the extent of the *stand-alone amount* for that *category of prescribed transmission services*;
 - (2) if any portion of the costs of a *transmission system* asset is not allocated to *prescribed TUOS services*, under subparagraph (1), that portion is to be allocated to *prescribed common transmission services*, but only to the extent of the *stand-alone amount* for that *category of prescribed transmission services*;
 - (3) if any portion of the costs of a *transmission system* asset is not attributed to *prescribed transmission services* under subparagraphs (1) and (2), that portion is to be attributed to *prescribed entry services* and *prescribed exit services*.

6A.23.3 Principles for the allocation of the ASRR to transmission network connection points

The *annual service revenue requirement* for a *Transmission Network Service Provider* for each *category of prescribed transmission services* is to be allocated to each *transmission network connection point* in accordance with the following principles:

- (a) The whole of the *ASRR* for *prescribed entry services* is to be allocated to *transmission network connection points* 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*.
- (b) The whole of the *ASRR* for *prescribed exit services* is to be allocated to *transmission network connection points* 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*.
- (c) Subject to paragraph (e), the *ASRR* for *prescribed TUOS services* is to be allocated to *transmission network connection points* of *Transmission Customers* in the following manner:
 - (1) a share of the *ASRR* (the **locational component**) is to be adjusted by subtracting the estimated *auction amounts* expected to be distributed to the *Transmission Network Service Provider* under clause 3.18.4 from the *connection points* for each relevant *directional interconnector* and this adjusted share is to be allocated as between

such *connection points* on the basis of the estimated proportionate use of the relevant *transmission system* assets by each of those customers, and the *CRNP methodology* and *modified CRNP methodology* represent two permitted means of estimating proportionate use;

- (2) the remainder of the *ASRR* (the **pre-adjusted non-locational component**) is to be adjusted:
 - (i) by subtracting the amount (if any) referred to in paragraph (e);
 - (ii) by subtracting or adding any remaining *settlements residue* (not being *settlements residue* referred to in sub paragraph (1) but including the portion of *settlements residue* due to *intra-regional loss factors*) which is expected to be distributed or recovered (as the case may be) to or from the *Transmission Network Service Provider* in accordance with clause 3.6.5(a);
 - (iii) for any *over-recovery amount* or *under-recovery amount*;
 - (iv) for any amount arising as a result of the application of clause 6A.23.4(h) and (i); and
 - (v) for any amount arising as a result of the application of prudent discounts in clause 6A.26.1(d)-(g),

(the **adjusted non-locational component**) and this adjusted non-locational component is to be recovered in accordance with clause 6A.23.4.

- (d) The shares of the *ASRR* referred to in paragraph (c) are to be either:
 - (1) a 50% share allocated to the locational component referred to in subparagraph (c)(1) and a 50% share allocated to the pre-adjusted non-locational component referred to in subparagraph (c)(2); or
 - (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.
- (e) If the result of the adjustment referred to in paragraph (c)(1) would be a negative locational component for the *connection points* of the relevant *directional interconnector* then the 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 paragraph (c)(2)(i).
- (f) The *ASRR* for *prescribed common transmission services* and the operating and maintenance costs incurred in the provision of those services, are to be recovered through prices charged to *Transmission Customer* and *Network Service Provider transmission network connection points* set in accordance with clause 6A.23.4.

6A.23.4 Price structure principles

- (a) A *Transmission Network Service Provider* is to develop separate prices for the recovery of the *ASRR* in accordance with the principles set out in paragraphs (b)-(i).
- (b) Separate prices are to be developed for each *category of prescribed transmission services*, being:
 - (1) *prescribed entry services*;
 - (2) *prescribed exit services*;
 - (3) *prescribed common transmission services*;
 - (4) *prescribed TUOS services* – locational component; and
 - (5) *prescribed TUOS services* – the adjusted non-locational component.
- (c) Prices for *prescribed entry services* and *prescribed exit services* must be a fixed annual amount.
- (d) Prices for prescribed common transmission services must be on a postage-stamp basis.
- (e) Prices for recovering the locational component of providing prescribed TUOS services must be based on demand at times of greatest utilisation of the transmission network and for which network investment is most likely to be contemplated.
- (f) Subject to paragraphs (g), (h), and (i), prices for recovering the locational component of the *ASRR* for the provision of prescribed TUOS services must not change by more than 2 per cent per annum compared with the load weighted average price for this component for the relevant region.
- (g) The change in price referred to in paragraph (f) may exceed 2 per cent per annum if, since the last time prices were set:
 - (1) the *load* at the *connection point* has materially changed;
 - (2) in connection with that change, the *Transmission Customer* requested a renegotiation of its *connection agreement* with the *Transmission Network Service Provider*; and
 - (3) the *AER* has approved the change of more than 2 per cent per annum.
- (h) If, in the case of an increase in price, the application of paragraph (f) would result in the under-recovery of part of the locational component of the *ASRR* in charges for *prescribed TUOS services*, any shortfall may be recovered by adjusting upward the charges that would otherwise apply in respect of the adjusted non-locational component of *prescribed TUOS services*.
- (i) If, in the case of a decrease in price, the application of paragraph (f) would result in over-recovery of the locational component of the *ASRR* through charges for *prescribed TUOS services*, any over-recovery must be offset by adjusting downward the charges that would otherwise apply in respect of the adjusted non-locational component of *prescribed TUOS services*.

- (j) Prices for recovering the adjusted non-locational component of *prescribed TUOS services* must be on a *postage-stamp* basis.

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*:
 - (1) allocates the *aggregate annual revenue requirement* for *prescribed transmission services* provided by that provider to:
 - (i) the *categories of prescribed transmission services* for that provider; and
 - (ii) *transmission network connection points* of *Transmission Network Users*; and
 - (2) determines the structure of the prices that a *Transmission Network Service Provider* may charge for each of the *categories of prescribed transmission services* for that provider.
- (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 provider, and any other applicable requirements in the *Rules*, when the provider is setting the prices that may be charged for the provision of *prescribed transmission services*.
- (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; and

- (b) the prices for each of the *categories of prescribed transmission services* to apply for the following *financial year*, by 15 May each year for the purposes of determining *distribution service* prices.

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 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 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.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 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*:
 - (1) must give effect to, and be consistent with, the *Pricing Principles for Prescribed Transmission Services*;
 - (2) may be amended or replaced by the *AER* from time to time in accordance with the *transmission consultation procedures*; and
 - (3) must be *published* by the *AER*.
- (c) The *AER* must develop and 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.

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*; and
- (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*.

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 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* that 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 either or both charges:
 - (1) to other *Transmission Customers* for the adjusted non-locational component of *prescribed TUOS services*; and
 - (2) for *prescribed common transmission services*,
in accordance with the provider's *pricing methodology*.
- (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 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 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 the charges for the adjusted non-locational component of *prescribed TUOS services* to apply in a subsequent *financial year*, in accordance with the 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 *NEMMCO*.

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;
 - (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 locational and the adjusted non-locational component of *prescribed TUOS services*;
 - (2) charges for *prescribed common transmission services*.

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

- (a) Each *Transmission Network Service Provider* must pay to each other relevant *Transmission Network Service Provider* the revenue which is estimated to be collected during the following year by the first provider as

charges for *prescribed transmission services* for the use of *transmission systems* owned by those other *Transmission Network Service Providers*.

- (b) Payments to be made between *Transmission Network Service Providers* within a *region* under paragraph (a) must be determined by the *Co-ordinating Network Service Provider* for that *region*.
- (c) Financial transfers payable under this clause 6A.27.4 must be paid in equal monthly instalments.

6A.27.5 Calculation of financial transfers between Transmission Network Service Providers

- (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 provider's revenue to a *Transmission Customer* in relation to a *connection point* with another *Network Service Provider* 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* 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 providers within that *region* (the **appointing providers**) must appoint a *Co-ordinating Network Service Provider* who is responsible for the allocation of all relevant *AARR* within that *region*, in accordance with this Part J.
- (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 proper performance of the co-ordination function.
- (f) The *Co-ordinating Network Service Provider* must provide sufficient information to an appointing 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 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) The *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.

Part K 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*').

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 *NEMMCO* 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 *NEMMCO* 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 *NEMMCO* 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 *NEMMCO* 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 transmissions 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.30.5 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.30.6 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.30.7 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.

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 of the *Rules* 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 first three *regulatory years* of the current *regulatory control period*, and the expected capital expenditure for each of the last two *regulatory years* of that *regulatory control period*, categorised in the same way as for the capital expenditure forecast; and
- (7) an explanation of any significant variations in the forecast capital expenditure from historical capital 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 of the *Rules* 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; and
- (8) an explanation of any significant variations in the forecast operating expenditure from historical operating expenditure.

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 provider of the *service target performance incentive scheme* 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 provider of the *efficiency benefit sharing scheme* 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;
- (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 of the *Rules*, together with:
 - (iii) details of all amounts, values and other inputs used by the 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 of the *Rules*; 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);
- (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 of the *Rules*, together with:
 - (i) details of all amounts, values and other inputs used by the 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 of the *Rules*; 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) the commencement and length of the period nominated by the *Transmission Network Service Provider* for the purposes of clause 6A.6.2(c)(2) of the *Rules*;
- (7) the depreciation schedules nominated by the *Transmission Network Service Provider* for the purposes of clause 6A.6.3 of the *Rules*, 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 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) of the *Rules*; 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 provider for each *regulatory year* of the relevant *regulatory control period* for the purposes of clause 6A.6.8(a) of the *Rules*, 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 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 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) of the *Rules*; 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) of the *Rules*.

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 of the *Rules* 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 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 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*.
- (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), 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 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).
- (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 actual 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.

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 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 test*;

- (4) whether the 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 provider; and
- (6) the need to provide incentives to the provider to avoid undertaking inefficient capital expenditure.

In determining the prudence 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.2.3 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 of the *Rules* and this schedule, 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 test*.

- (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 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 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 provider for that *regulatory control period* does not adequately reflect risks that cannot be reasonably managed.

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 of the *Rules* 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 pre-adjusted non-locational component of the *ASRR* for *prescribed TUOS services*.

CHAPTER 10



10. GLOSSARY

AARR

The *aggregate annual revenue requirement for prescribed transmission services*.

abnormal conditions

A condition described in clause 4.2.3(f).

above-standard system shared transmission service

A *shared transmission service* that exceeds the requirements referred to in paragraph (a)(1) or (2) of the definition of *negotiated transmission service* principally as a consequence of investments that have *system-wide benefits*.

ACCC

Australian Competition and Consumer Commission as established under the Trade Practices Act 1974 (Cth).

acceptable credit criteria

The credit criteria defined in clause 3.3.3.

acceptable credit rating

The credit rating determined by *NEMMCO* under clause 3.3.4.

accepted restriction offer

A *restriction offer* accepted by *NEMMCO* in accordance with the *restriction offer procedures*.

access charge

For a *Transmission Network Service Provider* – an amount described in clause 5.4A(g) – (j).

For a *Distribution Network Service Provider* – an amount described in clause 5.5(f)(4).

access standard

Either an *automatic access standard* or a *negotiated access standard* for a particular technical requirement as recorded in a *connection agreement*.

Accredited Service Provider category

A category of registration of a *Metering Provider* established by *NEMMCO* under S7.4.2(b) as a consequence of requirements of a *participating jurisdiction* to install *metering installations*.

accumulated energy data

The data that results from the measurement of the flow of electricity in a power conductor where the data represents a period in excess of a *trading interval*. The measurement is carried out at a *metering point*.

active energy

A measure of electrical energy flow, being the time integral of the product of *voltage* and the in-phase component of current flow across a *connection point*, expressed in watthour (Wh).

active power

The rate at which *active energy* is transferred.

active power capability

The maximum rate at which *active energy* may be transferred from a *generating unit* to a *connection point* as specified or proposed to be specified in a *connection agreement* (as the case may be).

additional intervention claim

Has the meaning given in clause 3.12.11(e).

adequately damped

In relation to a *control system*, when tested with a step change of a feedback input or corresponding reference, or otherwise observed, any oscillatory response at a *frequency* of:

- (a) 0.05 Hz or less, has a damping ratio of at least 0.4;
- (b) between 0.05 Hz and 0.6 Hz, has a halving time of 5 seconds or less (equivalent to a damping coefficient -0.14 nepers per second or less); and
- (c) 0.6 Hz or more, has a damping ratio of at least 0.05 in relation to a *minimum access standard* and a damping ratio of at least 0.1 otherwise.

ADJR Act

The Administrative Decisions (Judicial Review) Act 1977 (Cth).

adjusted gross energy

The *energy* adjusted in accordance with clause 3.15.5 (for a *transmission network connection point*) or clause 3.15.5A (for a *virtual transmission node*) or clause 3.15.4 (for any other *connection point*).

administered floor price

A price floor to apply to a *regional reference price*, with the levels of the price floor being administered under clause 3.14.1 and the circumstances under which it can be invoked by *NEMMCO* being determined as set out in clause 3.14.2.

administered price cap

A price cap to apply to a *dispatch price*, *regional reference price* or *ancillary service price*, with the levels of the price cap being set in accordance with clause

3.14.1 and the circumstances under which it can be invoked by *NEMMCO* being determined as set out in clause 3.14.2.

administered price period

A period declared by *NEMMCO*, in accordance with clause 3.14.2, in which an *administered price cap* may be invoked.

Adviser

The Dispute Resolution Adviser specified in clause 8.2.2(a).

Adviser referral notice

A notice referring a dispute to the *Adviser* for the purposes of clause 8.2.5.

Advocacy Panel

The panel established to administer funding for end-user advocacy in the national electricity market in accordance with clause 8.10.1.

AEMC

The Australian Energy Market Commission, which is established under section 5 of the Australian Energy Market Commission Establishment Act 2004 (SA).

AER

The Australian Energy Regulator, which is established by section 44AE of the Trade Practices Act 1974 (Cth).

affected participant's adjustment claim

Has the meaning given in clause 3.12.11(c1)(3).

Affected Participant

In respect of a particular *direction* or *dispatch* under a *reserve contract*, as the case may be, in an *intervention price trading interval*:

- (1) a *Scheduled Generator* or *Scheduled Network Service Provider*, which was not the subject of the *direction* or whose *plant* was not *dispatched* under the *reserve contract*, that had its *dispatched* quantity affected by that *direction* or *dispatch* of *plant* under that *reserve contract*; or
- (2) a *Scheduled Generator* or *Scheduled Network Service Provider*, which was the subject of the *direction* or whose *plant* was *dispatched* under the *reserve contract*, that had its *dispatched* quantity for other *generating units* or other services which were not the subject of that *direction* or which were not *dispatched* under that *reserve contract* affected by that *direction* or *dispatch* of *plant* under that *reserve contract*, however, the *Scheduled Generating Unit* or *Scheduled Network Service Provider* is only an *Affected Participant* in respect of those *generating units* and services which were not the subject of that *direction* or were not *dispatched* under that *reserve contract*; or
- (3) an *eligible person* entitled to receive an amount from *NEMMCO* pursuant to clause 3.18.1(b)(1) where there has been a change in flow of a *directional interconnector*, for which the *eligible person* holds units for the *intervention*

price trading interval, as a result of the *direction* or *dispatch* of *plant* under the *reserve contract*.

agency data collection system

The system used by the operator of an *agency metering database* to collect, process and transfer the *metering data* from a *meter* to the *NEMMCO settlements* process.

agency metering database

A *metering database* which is operated under a service level agreement with *NEMMCO*.

aggregate annual revenue requirement

For *prescribed transmission services*, the meaning in clause 6A.22.1 and for any other service, the calculated total annual revenue to be earned by an entity for a defined class or classes of service.

aggregate payment due

The aggregate of the net amounts payable by *NEMMCO* to each of the *Market Participants* to whom payments are to be made in relation to *spot market transactions* or *reallocation transactions* in respect of a *billing period* determined in accordance with clause 3.15.22(c).

agreed capability

In relation to a *connection point*, the capability to receive or send out power for that *connection point* determined in accordance with the relevant *connection agreement*.

alternative control service

A *distribution service* that is a *direct control service* but not a *standard control service*.

Amending Rule

A Rule made by the *AEMC* under section 103 of the *National Electricity Law* on and from the date of commencement of the operation of that Rule, or parts of that Rule.

ancillary service fees

The fees determined by *NEMMCO* under Chapter 2 in relation to *ancillary services*.

ancillary service generating unit

A *generating unit* which has been classified in accordance with Chapter 2 as an *ancillary service generating unit*.

ancillary service load

A *market load* which has been classified in accordance with Chapter 2 as an *ancillary service load*.

ancillary service price

In respect of a *dispatch interval*, for a *market ancillary service*, the common clearing price for the *market ancillary service* determined in accordance with clause 3.9.

Ancillary Service Provider

A person who engages in the activity of owning, controlling or operating a *generating unit* or *market load* classified in accordance with Chapter 2 as an *ancillary service generating unit* or *ancillary service load*, as the case may be.

ancillary services

Market ancillary services and *non-market ancillary services*.

ancillary services agreement

An agreement under which a *Registered Participant* agrees to provide one or more *non-market ancillary services* to NEMMCO.

annual building block revenue requirement

The amount representing the revenue requirement of a *Transmission Network Service Provider* for each *regulatory year* of a *regulatory control period* calculated in accordance with clause 6A.5.4.

annual national transmission review or ANTS review

The review conducted by NEMMCO in accordance with clause 5.6.5.

Annual National Transmission Statement or ANTS

The statement *published* by NEMMCO in accordance with clause 5.6.5.

Annual Planning Report

A report prepared by a *Transmission Network Service Provider* under clause 5.6.2A(a).

annual revenue requirement

An amount representing revenue for a *Distribution Network Service Provider*, for each *regulatory year* of a *regulatory control period*, calculated in accordance with Part C of Chapter 6.

annual service revenue requirement

Has the meaning set out in clause 6A.22.2.

apparent power

The square root of the sum of the squares of the *active power* and the *reactive power*.

applicable regulatory instruments

All laws, regulations, orders, licences, codes, determinations and other regulatory instruments (other than the *Rules*) which apply to *Registered Participants* from time to time, including those applicable in each *participating jurisdiction* as listed

below, to the extent that they regulate or contain terms and conditions relating to access to a *network*, *connection* to a *network*, the provision of *network services*, *network service price* or *augmentation* of a *network*.

- (1) New South Wales:
 - (a) the Electricity Supply Act 1995 ("ES Act");
 - (b) all regulations made and licences ("Licences") issued under the ES Act;
 - (c) the Independent Pricing and Regulatory Tribunal Act 1992 ("IPART Act");
 - (d) all regulations and determinations made under the IPART Act;
 - (e) all regulatory instruments applicable under the Licences; and
 - (f) the Commercial Arbitration Act 1984.
- (2) Victoria:
 - (a) the Electricity Industry Act 2000 ("EI Act");
 - (b) all regulations made and licences ("Licences") issued under the EI Act;
 - (c) the Essential Services Commission Act 2001 ("ESCV Act");
 - (d) all regulations and determinations made under the ESCV Act;
 - (e) all regulatory instruments applicable under the Licences; and
 - (f) the Tariff Order made under section 158A(1) of the Electricity Industry Act 1993 and continued in effect by clause 6(1) of Schedule 4 to the Electricity Industry (Residual Provisions) Act 1993, as amended or varied in accordance with section 14 of the EI Act.
- (3) South Australia:
 - (a) the Electricity Act 1996;
 - (b) all regulations made and licences ("Licences") issued under the Electricity Act;
 - (c) the Essential Services Commission Act 2002 ("ESCSCA Act");
 - (d) all regulations and determinations made under the ESCSCA Act;
 - (e) all regulatory instruments applicable under the Licences; and
 - (f) the Electricity Pricing Order made under section 35B of the Electricity Act.
- (4) Australian Capital Territory:
 - (a) the Utilities Act 2000;
 - (b) all regulations made and licences ("Licences") issued under the Utilities Act;
 - (c) the Independent Competition and Regulatory Commission Act 1997 ("ICRC Act");
 - (d) all regulations and determinations made under the ICRC Act; and
 - (e) all regulatory instruments applicable under the Licences.
- (5) Queensland:
 - (a) the Electricity Act 1994;

- (b) all regulations made and authorities and special approvals ("Licences") granted under the Electricity Act;
 - (c) the Queensland Competition Authority Act 1997 ("QCA Act");
 - (d) all regulations and determinations made under the QCA Act;
 - (e) all regulatory instruments applicable under the Licences; and
 - (f) the Gladstone Power Station Agreement Act 1993 and associated agreements.
- (6) Tasmania:
- (a) the Electricity Supply Industry Act 1995;
 - (b) all regulations made and licences ("Licences") issued under the Electricity Supply Industry Act;
 - (c) all regulatory instruments under the Electricity Supply Industry Act or the Licences (including, without limitation, determinations of the Tasmanian Electricity Regulator under the Electricity Supply Industry (Price Control) Regulations); and
 - (d) the Tasmanian Electricity Code issued under section 49A of the Electricity Supply Industry Act.

application to connect

An application made by a *Connection Applicant* in accordance with clause 5.3 for *connection* to a *network* and/or the provision of *network services* or modification of a *connection* to a *network* and/or the provision of *network services*.

approved pass through amount

In respect of a *positive change event* for a *Transmission Network Service Provider*:

- (a) the amount which the *AER* determines should be passed through to *Transmission Network Users* under clause 6A.7.3(d)(2); or
- (b) the amount which the *AER* is taken to have determined under clause 6A.7.3(e)(1),

as the case may be.

In respect of a *positive change event* for a *Distribution Network Service Provider*:

- (a) the amount the *AER* determines should be passed through to *Distribution Network Users* under clause 6.6.1(d)(2); or
- (b) the amount the *AER* is taken to have determined under clause 6.6.1(e)(3),

as the case may be.

approved pricing proposal

A *pricing proposal* approved by the *AER*.

ASRR

The *annual service revenue requirement*.

asynchronous generating unit

A *generating unit* that is not a *synchronous generating unit*.

attributable connection point cost share

Has the meaning set out in clause 6A.22.4.

attributable cost share

Has the meaning set out in clause 6A.22.3.

auction

A *settlement residue* auction held under clause 3.18.

auction amounts

All amounts:

- (1) payable to *NEMMCO* or *eligible persons* under *SRD agreements*; or
- (2) distributed to *Network Service Providers* under clause 3.18.4; or
- (3) recovered by *NEMMCO* under clause 3.18.4 or the *auction rules*.

auction expense fees

The costs and expenses incurred by *NEMMCO* referred to in clause 3.18.4(b).

auction participation agreement

Has the meaning given in clause 3.18.1(a).

auction rules

The rules developed by *NEMMCO* under clause 3.18.3, as amended from time to time in accordance with that clause.

augment, augmentation

Works to enlarge a *network* or to increase the capability of a *network* to transmit or distribute *active energy*.

augmentation technical report

A report by the *Inter-regional Planning Committee* of an *augmentation* under clause 5.6.3(j).

Australian Standard (AS)

The most recent edition of a standard publication by Standards Australia (Standards Association of Australia).

Authority

Any government, government department, instrumentality, *Minister*, agency, statutory authority or other body in which a government has a controlling interest, and includes the *AEMC*, *NEMMCO*, the *AER* and the *ACCC* and their successors.

automatic access standard

In relation to a technical requirement of access, a standard of performance, identified in a schedule of Chapter 5 as an automatic access standard for that technical requirement, such that a *plant* that meets that standard would not be denied access because of that technical requirement.

automatic generation control system (AGC)

The system into which the *loading levels* from economic *dispatch* will be entered for *generating units* operating on automatic generation control in accordance with clause 3.8.21(d).

automatic reclose equipment

In relation to a *transmission line* or *distribution line*, the equipment which automatically recloses the relevant line's circuit breaker(s) following their opening as a result of the detection of a fault in the *transmission line* or the *distribution line* (as the case may be).

available capacity

The total MW capacity available for *dispatch* by a *scheduled generating unit* or *scheduled load* (i.e. maximum plant availability) or, in relation to a specified *price band*, the MW capacity within that *price band* available for dispatch (i.e. availability at each price band).

average electrical energy loss

The volume-weighted average of the *electrical energy losses* incurred in each *trading interval* over all *trading intervals* in a defined period of time

average loss factor

A multiplier used to describe the *average electrical energy loss* for electricity used or transmitted.

avoided Customer TUOS charges

The charges described in rule 5.5(h).

B2B Communications

Communications between *Local Retailers*, *Market Customers* and *Distribution Network Service Providers* relating to an end-user or *supply* to an end-user provided for in the *B2B Procedures*.

B2B Data

Data relating to *B2B Communications*.

B2B Decision

A decision of *NEMMCO* to approve or not approve an *Information Exchange Committee Recommendation*.

B2B Determination Dispute

A dispute in relation to either a *B2B Decision* or an *Information Exchange Committee Recommendation*.

B2B e-Hub

An electronic information exchange platform established by *NEMMCO* to facilitate *B2B Communications*.

B2B Objective

The benefits from *B2B Communications* to *Local Retailers*, *Market Customers* and *Distribution Network Service Providers* as a whole should outweigh the detriments to *Local Retailers*, *Market Customers* and *Distribution Network Service Providers* as a whole.

B2B Principles

The following principles:

- (a) *B2B Procedures* should provide a uniform approach to *B2B Communications* in *participating jurisdictions* in which there are no *franchise customers*;
- (b) *B2B Procedures* should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable *B2B Communications*;
- (c) *B2B Procedures* should avoid unreasonable discrimination between *Local Retailers*, *Market Customers* and *Distribution Network Service Providers*; and
- (d) *B2B Procedures* should protect the confidentiality of commercially sensitive information.

B2B Procedures

Procedures prescribing the content of, the processes for, and the information to be provided to support, *B2B Communications*.

B2B Procedures Change Pack

A document consisting of:

- (a) a *B2B Proposal*;
- (b) a report setting out an overview of the likely impact of the *B2B Proposal* on *NEMMCO*, *Local Retailers*, *Market Customers* and *Distribution Network Service Providers*;
- (c) draft *B2B Procedures* (incorporating proposed changes in mark up, where appropriate); and
- (d) an issues paper explaining why the *B2B Proposal* is being presented.

B2B Proposal

A proposal for *B2B Procedures*, or a *change* to the *B2B Procedures*, which is the subject of consultation by the *Information Exchange Committee*.

bank bill rate

On any *day*, the rate determined by *NEMMCO* (having regard to such market indicators as *NEMMCO* in its discretion selects) to be the market rate as at 10.00 am on that *day* (or if not a *business day*, on the previous *business day*) for Australian dollar denominated bank accepted bills of exchange having a tenor of 30 *days*.

billing period

The period of 7 *days* commencing at the start of the *trading interval* ending 12.30 am Sunday.

black start capability

A capability that allows a *generating unit*, following its *disconnection* from the *power system*, to be able to deliver electricity to either:

- (a) its *connection point*; or
- (b) a suitable point in the *network* from which *supply* can be made available to other *generating units*,

without taking *supply* from any part of the *power system* following *disconnection*.

black system

The absence of *voltage* on all or a significant part of the *transmission system* or within a *region* during a *major supply disruption* affecting a significant number of customers.

breaker fail

In relation to a *protection system*, that part of the *protection system* that protects a *Market Participant's facilities* against the non-operation of a circuit breaker that is required to open.

breaker fail protection system

A *protection system* that protects a *facility* against the non-operation of a circuit breaker that is required to open to clear a fault.

building block determination

The component of a distribution determination relevant to the regulation of *standard control services* (See rule 6.3).

building block proposal

For a *Distribution Network Service Provider*, the part of the provider's *regulatory proposal* relevant to the regulation of *standard control services* (See clause 6.3.1).

busbar

A common *connection point* in a *power station switchyard* or a *transmission network substation*.

business day

A *day* other than a Saturday, Sunday or a *day* which is lawfully observed as a national public holiday on the same *day* in each of the *participating jurisdictions*.

call amount

The amount determined pursuant to the formula in clause 3.3.11 for the purposes of a *call notice* where the *outstandings* of a *Market Participant* exceed its *trading limit*.

call notice

A notice issued by *NEMMCO* pursuant to clause 3.3.11 where the *outstandings* of a *Market Participant* exceed its *trading limit*.

capacitor bank

Electrical equipment used to generate *reactive power* and therefore support *voltage* levels on *distribution* and *transmission lines* in periods of high *load*.

capital expenditure criteria

For a *Transmission Network Service Provider* – the matters listed in clause 6A.6.7(c)(1)–(3).

For a *Distribution Network Service Provider* – the matters listed in clause 6.5.7(c)(1)–(3).

capital expenditure factors

For a *Transmission Network Service Provider* – the factors listed in clause 6A.6.7(e)(1)–(10).

For a *Distribution Network Service Provider* – the factors listed in clause 6.5.7(e)(1)–(10).

capital expenditure objectives

For a *Transmission Network Service Provider* – the objectives set out in clause 6A.6.7(a).

For a *Distribution Network Service Provider* – the objectives set out in clause 6.5.7(a).

cascading outage

The occurrence of an uncontrollable succession of *outages*, each of which is initiated by conditions (e.g. instability or overloading) arising or made worse as a result of the event preceding it.

categories of prescribed transmission services

For the purposes of pricing for *prescribed transmission services*:

- (a) *prescribed entry services*;
- (b) *prescribed exit services*;
- (c) *prescribed common transmission services*; and
- (d) *prescribed TUOS services*.

central dispatch

The process managed by *NEMMCO* for the *dispatch* of *scheduled generating units*, *scheduled loads*, *scheduled network services* and *market ancillary services* in accordance with clause 3.8.

change

Includes amendment, alteration, addition or deletion.

charging parameters

The constituent elements of a tariff.

check meter

A *meter*, other than a *revenue meter*, used as a source of *metering data* for Type 1 and Type 2 *metering installations* as specified in schedule 7.2.

check metering data

The *metering data* obtained from a *check metering installation*.

check metering installation

A *metering installation* used as the source of *metering data* for validation in the *settlements* process.

clause 4.8.9 instruction

Has the meaning given in clause 4.8.9(a1)(2).

COAG

Council of Australian Governments.

commercial arbitrator

A dispute resolution panel (within the meaning of section 58 of the *National Electricity Law*) established pursuant to clause 6A.30.2(b).

commitment

The commencement of the process of starting up and *synchronising* a *generating unit* to the *power system*.

common service

A service that ensures the integrity of a *distribution system* and benefits all *Distribution Customers* and cannot reasonably be allocated on a locational basis.

communication link

All communications equipment, processes and arrangements that lie between the *meter* and the *data logger*, where the *data logger* is external to the device that contains the *measurement elements*, and/or the *data logger* and the telecommunications network.

compensation recovery amount

Has the meaning given in clause 3.15.8(a).

complainant

The party which refers a dispute to the *Adviser* in accordance with clause 8.2.5(a).

confidential information

In relation to a *Registered Participant* or *NEMMCO*, information which is or has been provided to that *Registered Participant* or *NEMMCO* under or in connection with the *Rules* and which is stated under the *Rules*, or by *NEMMCO*, the *AER* or the *AEMC*, to be *confidential information* or is otherwise confidential or commercially sensitive. It also includes any information which is derived from such information.

connect, connected, connection

To form a physical link to or through a *transmission network* or *distribution network*.

connection agreement

An agreement between a *Network Service Provider* and a *Registered Participant* or other person by which the *Registered Participant* or other person is *connected* to the *Network Service Provider's transmission* or *distribution network* and/or receives *transmission services* or *distribution services*. In some *participating jurisdictions*, the *Registered Participant* or other person may have one *connection agreement* with a *Network Service Provider* for *connection services* and another agreement with a different *Network Service Provider* for *network services* provided by the *transmission network*.

Connection Applicant

A person who wants to establish or modify *connection* to a *transmission network* or *distribution network* and/or who wishes to receive *network services* and who makes a *connection* enquiry as described in clause 5.3.2.

connection assets

Those components of a *transmission or distribution system* which are used to provide *connection services*.

connection point

The agreed point of *supply* established between *Network Service Provider(s)* and another *Registered Participant*, *Non-Registered Customer* or *franchise customer*.

connection service

An *entry service* (being a service provided to serve a *Generator* or a group of *Generators*, or a *Network Service Provider* or a group of *Network Service Providers*, at a single *connection point*) or an *exit service* (being a service provided to serve a *Transmission Customer* or *Distribution Customer* or a group of *Transmission Customers* or *Distribution Customers*, or a *Network Service Provider* or a group of *Network Service Providers*, at a single *connection point*).

considered project

- (a) In respect of a *transmission network augmentation*, a project that meets the following criteria:
- (1) the *Network Service Provider* has acquired the necessary land and easements;
 - (2) the *Network Service Provider* has obtained all necessary planning and development approvals;
 - (3) as applicable:
 - (i) the *augmentation* project has passed the *regulatory test*;
 - (ii) in respect of a *new small transmission network asset*, an intention to proceed with the project has been published in the *Network Service Provider's Annual Planning Report*; or
 - (iii) in respect of a *funded augmentation* the arrangements have been made for its funding; and
 - (4) construction has either commenced or the *Network Service Provider* has set a firm date for it to commence.
- (b) In respect of a *distribution network augmentation*, a project that meets the following criteria:
- (1) the *Network Service Provider* has acquired the necessary land and easements;
 - (2) the *Network Service Provider* has obtained all necessary planning and development approvals; and
 - (3) construction has either commenced or the *Network Service Provider* has set a firm date for it to commence.

constrained off

In respect of a *generating unit*, the state where, due to a *constraint* on a *network*, the output of that *generating unit* is limited below the level to which it would otherwise have been *dispatched* by *NEMMCO* on the basis of its *dispatch offer*.

constrained on

In respect of a *generating unit*, the state where, due to a *constraint* on a *network*, the output of that *generating unit* is limited above the level to which it would otherwise have been *dispatched* by *NEMMCO* on the basis of its *dispatch offer*.

constraint, constrained

A limitation on the capability of a *network*, *load* or a *generating unit* such that it is unacceptable to either transfer, consume or generate the level of electrical power that would occur if the limitation was removed.

consulting party

The person who is required to comply with the *Rules consultation procedures*.

contestable

- (a) In relation to *transmission services* a service which is permitted by the laws of the relevant *participating jurisdiction* to be provided by more than one *Transmission Network Service Provider* as a contestable service or on a competitive basis.
- (b) In relation to *distribution services*, a service which is permitted by the laws of the relevant *participating jurisdiction* to be provided by more than one *Distribution Network Service Provider* as a contestable service or on a competitive basis.

contingency capacity reserve

Actual *active* and *reactive energy* capacity, *interruptible load* arrangements and other arrangements organised to be available to be utilised on the actual occurrence of one or more *contingency events* to allow the restoration and maintenance of *power system security*.

contingency capacity reserve standards

The standards set out in the *power system security and reliability standards* to be used by *NEMMCO* to determine the levels of *contingency capacity reserves* necessary for *power system security*.

contingency event

An event described in clause 4.2.3(a).

contingent project

In relation to a *revenue determination*, a *proposed contingent project* that is determined by the *AER*, in accordance with clause 6A.8.1(b), to be a *contingent project* for the purposes of that *revenue determination*.

continuous uninterrupted operation

In respect of a *generating system* or operating *generating unit* operating immediately prior to a *power system* disturbance, not *disconnecting* from the *power system* except under its *performance standards* established under clauses S5.2.5.8 and S5.2.5.9 and, after clearance of any electrical fault that caused the disturbance, only substantially varying its *active power* and *reactive power* required by its *performance standards* established under clauses S5.2.5.11, S5.2.5.13 and S5.2.5.14, with all essential auxiliary and *reactive plant* remaining in service, and responding so as to not exacerbate or prolong the disturbance or cause a subsequent disturbance for other *connected plant*.

control centre

The *facilities* used by *NEMMCO* for managing *power system security* and administering the *market*.

control system

Means of monitoring and controlling the operation of the *power system* or equipment including *generating units connected to a transmission or distribution network*.

Convener

The *representative* appointed by NEMMCO in accordance with clause 5.6.3 to convene the *Inter-regional Planning Committee*.

Co-ordinated Universal Time (UTC)

The time as determined by the International Bureau of Weights and Measures and maintained under section 8AA of the *National Measurement Act*.

Co-ordinating Network Service Provider

A *Network Service Provider* appointed by multiple *Transmission Network Service Providers* to allocate AARR in accordance with rule 6A.29.

Cost Allocation Guidelines

For a *Transmission Network Service Provider* – the guidelines referred to in clause 6A.19.3.

For a *Distribution Network Service Provider* – the guidelines referred to in clause 6.15.3.

Cost Allocation Method

For a *Distribution Network Service Provider*, the Cost Allocation Method approved by the AER for that *Distribution Network Service Provider* under clause 6.15.4(c) and (d) as amended from time to time in accordance with clause 6.15.4(f) and (g).

Cost Allocation Methodology

For a *Transmission Network Service Provider*, the Cost Allocation Methodology approved or taken to be approved by the AER for that *Transmission Network Service Provider* under clauses 6A.19.4(c) and (d) as amended from time to time in accordance with clauses 6A.19.4(f) and (g).

Cost Allocation Principles

For a *Transmission Network Service Provider* – the principles set out in clause 6A.19.2.

For a *Distribution Network Service Provider* – the principles set out in clause 6.15.2.

cost reflective network pricing

A cost allocation method which reflects the value of assets used to provide *transmission or distribution services to Network Users*.

cost reflective network pricing methodology or CRNP methodology or modified CRNP methodology

The cost allocation methodologies described in schedule 6A.3.

CPI

As at a particular time, the Consumer Price Index: All Groups Index Number, weighted average of eight capital cities published by the Australian Bureau of Statistics for the most recent quarter that precedes that particular time and for which the index referred to has been published by the Australian Bureau of Statistics as at that time. If that index ceases to be published or is substantially changed, *CPI* will be such other index as is determined by the *AER* as a suitable benchmark for recording general movements in prices.

credible contingency event

An event described in clause 4.2.3(b), certain examples of which are set out in schedule 5.1.

credit period

The typical period of days over which *maximum credit limit* is calculated in accordance with schedule 3.3.

credit support

An obligation owed to *NEMMCO* by a third party supporting the obligations of a *Market Participant* and having the characteristics required by clause 3.3.2.

credit support provider

The issuing party that assumes obligations to *NEMMCO* pursuant to a *credit support*.

critical single credible contingency event

An event described in clause 4.2.3(d).

cumulative price threshold

The threshold for imposition of an *administered price cap* as defined in clause 3.14.1.

current rating

The maximum current that may be permitted to flow (under defined conditions) through a *transmission line* or *distribution line* or other item of equipment that forms part of a *power system*.

current transformer (CT)

A *transformer* for use with *meters* and/or protection devices in which the current in the secondary winding is, within prescribed error limits, proportional to and in phase with the current in the primary winding.

Customer

A person who:

1. engages in the activity of purchasing electricity *supplied* through a *transmission or distribution system* to a *connection point*; and
2. is registered by *NEMMCO* as a *Customer* under Chapter 2.

Customer transmission use of system, Customer transmission use of system service

A service provided to a *Transmission Network User* for use of the *transmission network* for the conveyance of electricity (including where it has been negotiated in accordance with clause 5.4A(f)(3)) that can be reasonably allocated to a *Transmission Network User* on a locational basis, but does not include *Generator transmission use of system services*.

data collection system

All equipment and arrangements that lie between the *metering database* and the point where the *metering data* enters the *telecommunications network*.

data logger

A *metering installation* database or a device that collects electronic signals from a *measurement element* and packages it into 30 minute intervals (or sub-multiples). This device may contain data storage capability, be a separate item of equipment, and/or be combined with the *energy* measuring components within one physical device.

day

Unless otherwise specified, the 24 hour period beginning and ending at midnight Eastern Standard Time (EST).

declared NEM project

A project determined to be a declared NEM project under clause 2.11.1(ba) or 2.11.1(bd), for which there is special treatment in the timing of cost recovery.

decommission, decommit

In respect of a *generating unit*, ceasing to generate and *disconnecting* from a *network*.

default dispatch bid

A *dispatch bid* made pursuant to clause 3.8.9.

default dispatch offer

A *dispatch offer* made pursuant to clause 3.8.9.

default event

An event defined as such in clause 3.15.21(a).

default notice

A notice issued by *NEMMCO* pursuant to clause 3.15.21(b)(1).

defaulting Market Participant

A *Market Participant* in relation to which a *default event* has occurred.

delayed lower service

The service of providing, in accordance with the *market ancillary service specification*, the capability of controlling the level of *generation* or *load* associated with a particular *facility* in response to a change in the *frequency* of the *power system* beyond a threshold or in accordance with electronic signals from *NEMMCO* in order to lower that *frequency* to within the *normal operating frequency band*.

delayed raise service

The service of providing, in accordance with the *market ancillary service specification*, the capability of controlling the level of *generation* or *load* associated with a particular *facility* in response to a change in the *frequency* of the *power system* beyond a threshold or in accordance with electronic signals from *NEMMCO* in order to raise that *frequency* to within the *normal operating frequency band*.

delayed response capacity reserve

That part of the *contingency capacity reserve* capable of realisation within 5 minutes of a major *frequency* decline in the *power system* as described further in the *power system security and reliability standards*.

demand based price

A price expressed in dollars per kilowatt per time period or dollars per kilovolt ampere per time period.

demand management incentive scheme

An incentive scheme for certain *Distribution Network Service Providers* developed and *published* by the *AER* under clause 6.6.3.

deprival value

A value ascribed to assets which is the lower of economic value or optimised depreciated replacement value.

derogation

Has the meaning given in the *National Electricity Law*.

de-synchronising/de-synchronisation

The act of *disconnection* of a *generating unit* from the *connection point* with the *power system*, normally under controlled circumstances.

direct control service

A *distribution service* that is a direct control network service within the meaning of section 2B of the *Law*.

Directed Participant

A *Scheduled Generator*, *Market Generator*, *Scheduled Network Service Provider* or *Market Customer* the subject of a *direction*.

direction

Has the meaning given in clause 4.8.9(a1)(1).

directional interconnector

Has the meaning given in clause 3.18.1(c).

Disclosee

In relation to a *Registered Participant* or *NEMMCO*, a person to whom that *Registered Participant* or *NEMMCO* (as the case may be) discloses *confidential information*.

disconnect, disconnected, disconnection

The operation of switching equipment or other action so as to prevent the flow of electricity at a *connection point*.

dispatch

The act of initiating or enabling all or part of the response specified in a *dispatch bid*, *dispatch offer* or *market ancillary service offer* in respect of a *scheduled generating unit*, a *scheduled load*, a *scheduled network service*, an *ancillary service generating unit* or an *ancillary service load* in accordance with clause 3.8, or a *direction* or operation of capacity the subject of a *reserve contract* as appropriate.

dispatch algorithm

The algorithm used to determine *central dispatch* developed by *NEMMCO* in accordance with clause 3.8.1(d).

dispatch bid

A notice submitted by a *Market Participant* to *NEMMCO* relating to the *dispatch* of a *scheduled load* in accordance with clause 3.8.7.

dispatch inflexibility profile

Data which may be provided to *NEMMCO* by *Market Participants*, in accordance with clause 3.8.19, to specify *dispatch inflexibilities* in respect of *scheduled loads* or *scheduled generating units* which are not *slow start generating units*.

dispatch instruction

An instruction given to a *Registered Participant* under clauses 4.9.2, 4.9.2A, 4.9.3 or 4.9.3A.

dispatch interval

A period defined in clause 3.8.21(a1) in which the *dispatch algorithm* is run in accordance with clause 3.8.21(b).

dispatch offer

A *generation dispatch offer* or a *network dispatch offer*.

dispatch offer price

The price submitted by a *Scheduled Generator* or a *Scheduled Network Service Provider* for a *price band* and a *trading interval* in a *dispatch offer*.

dispatch optimisation software

The computer program used by *NEMMCO* for computing the *dispatch algorithm*.

dispatch price

The price determined for each *regional reference node* by the *dispatch algorithm* each time it is run by *NEMMCO*.

dispatched generating unit

A *generating unit* which has received instructions from *NEMMCO* in accordance with a *dispatch* schedule.

dispatched generation

The *generation* which has been *dispatched* as part of *central dispatch*.

dispatched Generator

A *Generator* who has received a *dispatch instruction* from *NEMMCO*.

dispatched load

The *load* which has been *dispatched* as part of *central dispatch*.

dispute management system (or “DMS”)

The dispute management system which each *Registered Participant* and *NEMMCO* must adopt in accordance with clause 8.2.3.

dispute resolution panel (or “DRP”)

A dispute resolution panel established pursuant to clause 8.2.6A.

distribution

Activities pertaining to a *distribution system* including the conveyance of electricity through that *distribution system*.

distribution consultation procedures

The procedures set out in Part G of Chapter 6.

Distribution Customer

A *Customer*, *Distribution Network Service Provider*, *Non-Registered Customer* or *franchise customer* having a *connection point* with a *distribution network*.

distribution line

A power line, including underground cables, that is part of a *distribution network*.

distribution loss factor

An *average loss factor* calculated according to clause 3.6.3.

distribution losses

Electrical energy losses incurred in distributing electricity over a distribution network.

distribution network

A network which is not a transmission network.

distribution network connection point

A connection point on a distribution network.

Distribution Network Service Provider

A person who engages in the activity of owning, controlling, or operating a distribution system.

Distribution Network Service Provider Member

A Member appointed to the Information Exchange Committee in that membership category as set out in the Information Exchange Committee Election Procedures.

Distribution Network User

A Distribution Customer or an Embedded Generator.

distribution network user access

The power transfer capability of the distribution network in respect of:

- (a) *generating units or a group of generating units; and*
- (b) *network elements,*

at a connection point which has been negotiated in accordance with rule 5.5.

Distribution Ring-Fencing Guidelines

The guidelines developed by the AER under clause 6.17.2.

distribution service

A service provided by means of, or in connection with, a distribution system.

distribution services access dispute

A dispute referred to in clause 6.22.1.

[distribution standard control service revenue](#)

[Has the meaning given in clause 6.26\(b\)\(2\).](#)

distribution system

A distribution network, together with the connection assets associated with the distribution network, which is connected to another transmission or distribution system.

Connection assets on their own do not constitute a distribution system.

Distribution System Operator

A person who is responsible, under the *Rules* or otherwise, for controlling or operating any portion of a *distribution system* (including being responsible for directing its operations during *power system* emergencies) and who is registered by *NEMMCO* as a *Distribution System Operator* under Chapter 2.

distribution use of system, distribution use of system service

A service provided to a *Distribution Network User* for use of the *distribution network* for the conveyance of electricity that can be reasonably allocated on a locational and/or *voltage* basis.

DMS

A dispute management system.

DMS Contact

A person appointed by a *Registered Participant* or *NEMMCO* pursuant to its *DMS* to be the first point of contact for the notification of disputes under clause 8.2.

DMS referral notice

A notice served on a *DMS Contact* pursuant to clause 8.2.4(a).

DRP

A *dispute resolution panel*.

dual function asset

Means any part of a *network* owned, operated or controlled by a *Distribution Network Service Provider* which operates between 66 kV and 220 kV and which operates in parallel, and provides support, to the higher voltage *transmission network* which is deemed by clause 6.24.2(a) to be a *dual function asset* . For the avoidance of doubt:

- (1) a *dual function asset* can only be an asset which forms part of a *network* that is predominantly a *distribution network*; and
- (2) an asset which forms part of a *network* which is predominantly a *transmission network* cannot be characterised as a *dual function asset*, through the operation of clause 6.24.2(a).

dynamic performance

The response and behaviour of *networks* and *facilities* which are *connected* to the *networks* when the *satisfactory operating state* of the *power system* is disturbed.

Eastern Standard Time (EST)

The time which is set at 10 hours in advance of *Co-ordinated Universal Time*.

efficiency benefit sharing scheme

For a *Transmission Network Service Provider* – a scheme developed and *published* by the *AER* under clause 6A.5.

For a *Distribution Network Service Provider* – a scheme developed and *published* by the AER under clause 6.5.8.

efficiency benefit sharing scheme parameters

For an *efficiency benefit sharing scheme*, those parameters that are *published* by the AER in respect of that scheme pursuant to clause 6A.6.5(c).

electrical energy loss

Energy loss incurred in the production, transportation and/or use of electricity.

electrical sub-network

A part of the *national grid* determined by NEMMCO in accordance with clause 3.11.4B.

electronic communication system

Includes the electronic communication and the *electronic data transfer* system provided to *Registered Participants* by NEMMCO.

electronic data transfer

The transfer of data by electronic means from one location to another.

eligible pass through amount

In respect of a *positive change event* for a *Transmission Network Service Provider*, the increase in costs in the provision of *prescribed transmission services* that the *Transmission Network Service Provider* has incurred and is likely to incur until the end of the *regulatory control period* as a result of that *positive change event* (as opposed to the revenue impact of that event).

In respect of a *positive change event* for a *Distribution Network Service Provider*, the increase in costs in the provision of *direct control services* that the *Distribution Network Service Provider* has incurred and is likely to incur until the end of the *regulatory control period* as a result of that *positive change event* (as opposed to the revenue impact of that event).

eligible person

Has the meaning given in clause 3.18.2(b).

embedded generating unit

A *generating unit* connected within a *distribution network* and not having direct access to the *transmission network*.

Embedded Generator

A *Generator* who owns, operates or controls an *embedded generating unit*.

enabled

A *market ancillary service* is enabled when NEMMCO has selected the relevant *generating unit* or *load* for the provision of the *market ancillary service* and has notified the relevant *Market Participant* accordingly.

enablement limit

In relation to any *market ancillary service offer*, the level of associated *generation* or *load* (in MW) above or below which no response is specified as being available.

enabling price

Has the meaning given in clause 3.8.7A(d).

energise/energisation

The act of operation of switching equipment or the start-up of a *generating unit*, which results in there being a non-zero *voltage* beyond a *connection point* or part of the *transmission* or *distribution network*.

energy

Active energy and/or *reactive energy*.

energy based price

A price expressed in cents per kilowatt hour of *energy*.

energy constrained scheduled generating unit

A *scheduled generating unit* in respect of which the amount of electricity it is capable of *supplying* on a *trading day* is less than the amount of electricity it would *supply* on that *trading day* if it were *dispatched* to its full nominated availability for the whole *trading day*.

energy constrained scheduled load

A *scheduled load* in respect of which the amount of electricity it can take in a *trading day*, if *normally off*, or it can *off-load*, if *normally on*, is *constrained*.

energy data

Interval energy data or *accumulated energy data*.

energy data services

The services that involve:

- (1) collation of *energy data* from the *meter* or *meter/associated data logger*;
- (2) the processing of the *energy data* in the *metering installation* database;
- (3) storage of the *energy data* in the *metering installation* database; and
- (4) the provision of access to the data for those parties that have rights of access to the data.

energy packets

The value of *energy data* which is accumulated for a period of 30 minutes and stored as a separate data record.

energy support arrangement

A contractual arrangement between a *Generator* or *Network Service Provider* on the one hand, and a customer or *participating jurisdiction* on the other, under which *facilities* not subject to an *ancillary services agreement* for the provision of *system restart ancillary services* are used to assist *supply* to a customer during a *major supply disruption* affecting that customer, or customers generally in the *participating jurisdictions*, as the case may be.

entry charge

The charge payable by an *Embedded Generator* to a *Distribution Network Service Provider* for an *entry service* at a *distribution network connection point*.

entry cost

For each *distribution network connection point*, the amount of the *aggregate annual revenue requirement* for all individual assets classified as *entry service* assets which provide *entry service* for the *connection point*.

entry service

A service provided to serve a *Generator* or a group of *Generators*, or a *Network Service Provider* or a group of *Network Service Providers*, at a single *connection point*.

estimated energy data

The data that results from an estimation of the flow of electricity in a power conductor where the data applies to a *trading interval* or a period in excess of a *trading interval*. The estimation is made in relation to a *market load* and would not apply to a *metering point* where *accumulated energy data* or *interval energy data* is not available, or an *unmetered connection point*.

excess generation

Aggregate *self dispatch level* of *self-committed generation* which is in excess of the quantity needed to meet the expected *power system demand* and *reserve* requirements.

excess generation period

A period made up of one or more *dispatch intervals* where the sum of the aggregate of *generating unit self dispatch levels* and the required *regulating capability* (which forms part of the *contingency capacity reserves standard*) exceeds the forecast *load* or actual *load* during those *dispatch intervals*.

excitation control system

In relation to a *generating unit*, the automatic *control system* that provides the field excitation for the generator of the *generating unit* (including excitation limiting devices and any power system stabiliser).

exit charge

The charge payable by a *Distribution Customer* to a *Distribution Network Service Provider* for *exit service* at a *distribution network connection point*.

exit cost

For each *distribution network connection point*, the amount of the *aggregate annual revenue requirement* for all individual assets classified as *exit service* assets which provide *exit service* for the *connection point*.

exit service

A service provided to serve a *Transmission Customer* or *Distribution Customer* or a group of *Transmission Customers* or *Distribution Customers*, or a *Network Service Provider* or a group of *Network Service Providers*, at a single *connection point*.

extension

An *augmentation* that requires the *connection* of a power line or *facility* outside the present boundaries of the *transmission* or *distribution network* owned, controlled or operated by a *Network Service Provider*.

extreme frequency excursion tolerance limits

In relation to the *frequency* of the *power system*, means the limits so described and specified in the *power system security and reliability standards*.

facilities

A generic term associated with the apparatus, equipment, buildings and necessary associated supporting resources provided at, typically:

- (a) a *power station* or *generating unit*;
- (b) a *substation* or *power station switchyard*;
- (c) a *control centre* (being a *NEMMCO control centre*, or a *distribution* or *transmission network control centre*);
- (d) facilities providing an *exit service*.

fast lower service

The service of providing, in accordance with the requirements of the *market ancillary service specification*, the capability of rapidly controlling the level of *generation* or *load* associated with a particular *facility* in response to the locally sensed *frequency* of the *power system* in order to arrest a rise in that *frequency*.

fast raise service

The service of providing, in accordance with the requirements of the *market ancillary service specification*, the capability of rapidly controlling the level of *generation* or *load* associated with a particular *facility* in response to the locally sensed *frequency* of the *power system* in order to arrest a fall in that *frequency*.

fault clearance time

In respect of a *fault type*, the time within which the *protection system* is designed, operated and maintained to clear a *short circuit fault* of that *fault type* within its protection zone.

fault type

One of the following types of electrical fault:

- (a) three phase to ground fault;
- (b) three phase fault;
- (c) two phase to ground fault;
- (d) phase to phase fault; and
- (e) one phase to ground fault.

final statement

A statement issued by *NEMMCO* under clause 3.15.15 to a *Market Participant*.

financial year

A period commencing on 1 July in one calendar year and terminating on 30 June in the following calendar year.

financially responsible

In relation to any *market connection point*, a term which is used to describe the *Market Participant* which has either:

- 1. classified the *connection point* as one of its *market loads*;
- 2. classified the *generating unit connected* at that *connection point* as a *market generating unit*; or
- 3. classified the *network services* at that *connection point* as a *market network service*.

First-Tier Customer

A *Customer* which has classified any *load* as a *first-tier load* in accordance with Chapter 2.

first-tier load

Electricity purchased at a *connection point* directly and in its entirety from the *Local Retailer* and which is classified as a *first-tier load* in accordance with Chapter 2.

framework and approach paper

A document prepared and issued as a framework and approach paper under clause 6.8.1.

franchise customer

A person who does not meet its local jurisdiction requirements to make it eligible to be registered by *NEMMCO* as a *Customer* for a *load*.

frequency

For alternating current electricity, the number of cycles occurring in each second. The term Hertz (Hz) corresponds to cycles per second.

frequency operating standards

The standards which specify the *frequency* levels for the operation of the *power system* set out in the *power system security and reliability standards*.

frequency response mode

The mode of operation of a *generating unit* which allows automatic changes to the generated power when the *frequency* of the *power system* changes.

funded augmentation

A *transmission network augmentation* for which the *Transmission Network Service Provider* is not entitled to receive a charge pursuant to Chapter 6.

general purpose

The term applied by the National Measurement Institute to refer to the classification of a *meter*.

generated

In relation to a *generating unit*, the amount of electricity produced by the *generating unit* as measured at its terminals.

generating plant

In relation to a *connection point*, includes all equipment involved in generating electrical *energy*.

generating system

A system comprising one or more *generating units* and includes auxiliary or *reactive plant* that is located on the *Generator's* side of the *connection point* and is necessary for the *generating system* to meet its *performance standards*.

Generating System Design Data Sheet

The data sheet *published* by *NEMMCO* under clause S5.5.7(a)(1).

Generating System Model Guidelines

The guidelines *published* by *NEMMCO* under clause S5.5.7(a)(3).

Generating System Setting Data Sheet

The data sheet *published* by *NEMMCO* under clause S5.5.7(a)(2).

generating unit

The actual generator of electricity and all the related equipment essential to its functioning as a single entity.

generation

The production of electrical power by converting another form of energy in a *generating unit*.

generation centre

A geographically concentrated area containing a *generating unit* or *generating units* with significant combined generating capability.

generation dispatch offer

A notice submitted by a *Scheduled Generator* to *NEMMCO* relating to the *dispatch* of a *scheduled generating unit* in accordance with clause 3.8.6.

Generator

A person who engages in the activity of owning, controlling or operating a *generating system* that is *connected* to, or who otherwise *supplies* electricity to, a *transmission* or *distribution system* and who is registered by *NEMMCO* as a *Generator* under Chapter 2 and, for the purposes of Chapter 5, the term includes a person who is required to, or intends to register in that capacity.

Generator transmission use of system, Generator transmission use of system service

A service provided to a *Generator* for:

- (a) use of the *transmission network* which has been negotiated in accordance with clause 5.4A(f)(3)(i); or
- (b) use of a *new transmission network investment* asset for the conveyance of electricity that can be reasonably allocated to a *Generator* on a locational basis.

global market ancillary service requirement

Has the meaning given to it by clause 3.8.1(e2).

good electricity industry practice

The exercise of that degree of skill, diligence, prudence and foresight that reasonably would be expected from a significant proportion of operators of *facilities* forming part of the *power system* for the *generation, transmission* or *supply* of electricity under conditions comparable to those applicable to the relevant *facility* consistent with *applicable regulatory instruments, reliability, safety* and environmental protection. The determination of comparable conditions is to take into account factors such as the relative size, duty, age and technological status of the relevant *facility* and the *applicable regulatory instruments*.

governor system

The automatic *control system* which regulates the speed of the power turbine of a *generating unit* through the control of the rate of entry into the *generating unit* of the primary *energy* input (for example, steam, gas or water).

hedge contract

A contract between two or more parties affording one or each of them protection against certain financial risks.

high voltage (HV)

A *voltage* greater than 1 kV.

Independent Member

A *Member* appointed to the *Information Exchange Committee* in that membership category as set out in the *Information Exchange Committee Election Procedures*.

independent person

A person who:

- (a) is not a member, employee or member of staff of the *AER* or the *AEMC*;
- (b) is not a director or employee of *NEMMCO*;
- (c) is not a director or employee of, or partner in, a *Registered Participant*;
- (d) does not have a direct or indirect financial interest (whether as shareholder, partner or other equity participant) in any *Registered Participant* or a *related body corporate* of any *Registered Participant*, other than an interest of less than 0.1% of the net shareholders funds of that entity (as determined at the date the relevant person is appointed to carry out a function under the *Rules*); or
- (e) is not a director or employee of a *related body corporate* of any *Registered Participant*.

independently controllable two-terminal link

A *two-terminal link* through which the *power transfer* can be independently controlled within a range determined by the *power transfer capability* of the *two-terminal link* and the conditions prevailing in the rest of the *power system*.

indexed amount

As at any time and in relation to a dollar value that is expressly set out in Part C of Chapter 6 or Part C of Chapter 6A, that dollar value multiplied by CPI_a/CPI_b

where:

CPI_a is the *CPI* as at that time; and

CPI_b is the Consumer Price Index: All Groups Index Number, weighted average of eight capital cities published by the Australian Bureau of Statistics for the quarter ending 30 June 2006.

inflexible, inflexibility

In respect of a *scheduled generating unit*, *scheduled load* or *scheduled network service* for a *trading interval* means that the *scheduled generating unit*, *scheduled load* or *scheduled network service* is only able to be *dispatched* in the *trading interval* at a fixed *loading level* specified in accordance with clause 3.8.19(a).

Information Exchange Committee

The committee established under clause 7.2A.2(a).

Information Exchange Committee Annual Report

The annual report prepared by the *Information Exchange Committee* in accordance with the *Information Exchange Committee Operating Manual*.

Information Exchange Committee Election Procedures

The procedures of that title which set out the process for election of *Members*.

Information Exchange Committee Operating Manual

The manual of that title prepared by the *Information Exchange Committee* which sets out the processes pursuant to which the *Information Exchange Committee* operates.

Information Exchange Committee Recommendation

A recommendation made by the *Information Exchange Committee* to *NEMMCO* to make *B2B Procedures* or to change the *B2B Procedures*.

Information Exchange Committee Working Groups

The groups established by the *Information Exchange Committee* to assist with the *Information Exchange Committee Works Programme*.

Information Exchange Committee Works Programme

The work programme prepared by the *Information Exchange Committee* in respect of the development, implementation and operation of the *B2B Procedures* and other matters which are incidental to effective and efficient *B2B Communications*.

information guidelines

Guidelines made by the *AER* for the purpose of guiding a *Transmission Network Service Provider* in the submission of certified annual statements and other related information in accordance with clause 6A.17.2.

instrument transformer

Either a *current transformer (CT)* or a *voltage transformer (VT)*.

insurance event

An event for which the risk of its occurrence is the subject of insurance taken out by or for a *Transmission Network Service Provider*, for which an allowance is provided in the *total revenue cap* for the *Transmission Network Service Provider* and in respect of which:

- (a) the cost of the premium paid or required to be paid by the *Transmission Network Service Provider* in the *regulatory year* in which the cost of the premium changes is higher or lower than the premium that is provided for in the *maximum allowed revenue* for the provider for that *regulatory year* by an amount of more than 1% of the *maximum allowed revenue* for the provider for that *regulatory year*;
- (b) the risk eventuates and, as a consequence, the *Transmission Network Service Provider* incurs or will incur all or part of a deductible where the amount so incurred or to be so incurred in a *regulatory year* is higher or lower than the allowance for the deductible (if any) that is provided for in the *maximum allowed revenue* for the provider for that *regulatory year* by

an amount of more than 1% of the *maximum allowed revenue* for the provider for that *regulatory year*;

- (c) insurance becomes unavailable to the *Transmission Network Service Provider*; or
- (d) insurance becomes available to the *Transmission Network Service Provider* on terms materially different to those existing as at the time the *revenue determination* was made (other than as a result of any act or omission of the provider which is inconsistent with good electricity industry practice).

intending load

A proposed purchase of electricity at a *connection point* (the location of which may be undefined) which is classified as an *intending load* in accordance with Chapter 2.

Intending Participant

A person who is registered by *NEMMCO* as an *Intending Participant* under Chapter 2.

interconnection, interconnector, interconnect, interconnected

A *transmission line* or group of *transmission lines* that *connects* the *transmission networks* in adjacent *regions*.

interconnector flow

The quantity of electricity in MW being transmitted by an *interconnector*.

interested party

1. In Chapter 5, a person including an end user or its *representative* who, in *NEMMCO's* opinion, has or identifies itself to *NEMMCO* as having an interest in relation to the *network* planning and development activities covered under clause 5.6 or in the determination of *plant standards* covered under clause 5.3.3(b2).
- 1A. Notwithstanding the definition in 1. above, in clause 5.6.6(j), a person including an end user or its *representative* who, in the *AER's* opinion, has or identifies itself to the *AER* as having, the potential to suffer a material and adverse market impact from the *new large transmission network asset* identified in the clause 5.6.6(j) final report.
2. In Chapter 6 or Chapter 6A, a person (not being a *Registered Participant* or *NEMMCO*) that has, in the *AER's* opinion, or identifies itself to the *AER* as having, an interest in the *Transmission Ring-Fencing Guidelines* or the *Distribution Ring-Fencing Guidelines*.
3. **[Deleted]**
4. In Chapter 2, a person including an end user or its *representative* who, in *NEMMCO's* opinion, has or identifies itself to *NEMMCO* as having an interest in relation to the structure of *Participant Fees*.

interim statement

Has the meaning given in clause 3.3.11(a)(1).

intermediary

A person who is registered by *NEMMCO* as a *Generator* or a *Network Service Provider* instead of another person who, in the absence of an exemption under clause 2.9.3, would be required to be registered as such under the *Rules*.

intermittent

A description of a *generating unit* whose output is not readily predictable, including, without limitation, solar generators, wave turbine generators, wind turbine generators and hydro-generators without any material storage capability.

inter-network test

A test conducted for the purpose of verifying the magnitude of the *power transfer capability* of more than one *transmission network* in accordance with clause 5.7.7.

inter-network testing constraint

A *constraint* on a *transmission network* as contemplated by clause 5.7.7.

inter-regional

Between *regions*.

inter-regional loss factor

A *marginal loss factor* determined according to clause 3.6.1.

inter-regional losses

Has the meaning given to it by clause 3.6.1(a).

inter-regional network constraint

A *constraint* on the *transmission* and/or *distribution networks* between *regions* as specified in clause 3.6.4(a).

Inter-regional Planning Committee

The committee established in accordance with clause 5.6.3.

interruptible load

A *load* which is able to be *disconnected*, either manually or automatically initiated, which is provided for the restoration or control of the *power system frequency* by *NEMMCO* to cater for *contingency events* or shortages of *supply*.

interval energy data

The data that results from the measurement of the flow of electricity in a power conductor where the data is prepared by a *data logger* into intervals which correspond to a *trading interval* or are sub-multiples of a *trading interval*.

intervention price dispatch interval

A *dispatch interval* declared by NEMMCO to be an *intervention price dispatch interval* in accordance with clause 3.9.3.

intervention price trading interval

A *trading interval* in which NEMMCO has declared an *intervention price dispatch interval* in accordance with clause 3.9.3.

intervention settlement timetable

Has the meaning given in clause 3.12.10(b).

intra-regional

Within a *region*.

intra-regional loss factor

A *marginal loss factor* determined according to clause 3.6.2.

intra-regional losses

Has the meaning given to it by clause 3.6.2(a).

intra-regional network constraint

A *constraint* on part of the *transmission* and *distribution networks* within a *region* as specified in clause 3.6.4(b).

invoiced amount

The aggregate of the *settlement statements*, *interim*, *preliminary* or *final*, which at the time of issue of a *call notice* are unpaid by the *Market Participant*, notwithstanding that the usual time for issue or payment of those *settlement statements* has not been reached.

involuntary load shedding

Load shedding where the load shed is not an *interruptible load* or a *scheduled load*.

isolation

Electrical isolation of one part of a communication system from another but where the passage of *electronic data transfer* is not prevented.

Jurisdictional System Security Coordinator

A person appointed by the *Minister* of a *participating jurisdiction* in accordance with section 110 of the *National Electricity Law*.

jurisdictional derogation

Has the meaning given in the *National Electricity Law*. The jurisdictional derogations are included in Chapter 9.

jurisdictional electricity legislation

Has the meaning given to that term in the *National Electricity Law*.

jurisdictional metrology material

Jurisdictional metrology matters that are to be included in the *metrology procedure* for one or more of the *participating jurisdictions* and which is submitted by the *Ministers of the MCE* to *NEMMCO* under clause 7.14.2.

Jurisdictional NMI Standing Data schedule

The schedules described in clause 3.13.12(a), as amended from time to time in accordance with clause 3.13.12(b).

Jurisdictional NMI Standing Data suppliers

Registered Participants which are required by the relevant *participating jurisdiction's* legislation or licensing requirements to supply *NMI Standing Data* in respect of *connection points* in that *participating jurisdiction* to *NEMMCO*.

Jurisdictional Regulator

The person authorised by a *participating jurisdiction* to regulate *distribution service prices* in that jurisdiction.

lack of reserve (LOR)

Any of the conditions described in clause 4.8.4(b), (c) or (d).

last resort planning power

The *AEMC's* power to direct a *Registered Participant* under clause 5.6.4(c).

last resort planning power guidelines

The guidelines made by the *AEMC* relating to the exercise of the *last resort planning power* and referred to in clause 5.6.4(o)-(r).

load

A *connection point* or defined set of *connection points* at which electrical power is delivered to a person or to another *network* or the amount of electrical power delivered at a defined instant at a *connection point*, or aggregated over a defined set of *connection points*.

load centre

A geographically concentrated area containing *load* or *loads* with a significant combined consumption capability.

load class

A grouping of customers with like *load* characteristics.

load shedding

Reducing or disconnecting *load* from the *power system*.

load shedding procedures

The procedures developed by *NEMMCO* for each *participating jurisdiction* in accordance with clause 4.3.2(h) for the implementation of the *load shedding*

priority and *sensitive load* priority advised by that *Jurisdictional System Security Coordinator* under clauses 4.3.2(f)(1) and (2).

loading level

The level of output, consumption or power flow (in MW) of a *generating unit*, *load* or *scheduled network service*.

loading price

The price specified for a *price band* and a *trading interval* in a *dispatch offer*, in accordance with clause 3.8.6, for the *dispatch* of a *scheduled generating unit* at a level above its *self-dispatch level*.

local area/local

The geographical area allocated to a *Network Service Provider* by the authority responsible for administering the *jurisdictional electricity legislation* in the relevant *participating jurisdiction*.

local black system procedures

The procedures, described in clause 4.8.12, applicable to a *local area* as approved by *NEMMCO* from time to time.

local market ancillary service requirement

Has the meaning given to it by clause 3.8.1(e2).

Local Network Service Provider

Within a *local area*, a *Network Service Provider* to which that geographical area has been allocated by the authority responsible for administering the *jurisdictional electricity legislation* in the relevant *participating jurisdiction*.

Local Retailer

In relation to a *local area*, the *Customer* who is:

1. a business unit or *related body corporate* of the relevant *Local Network Service Provider*; or
2. responsible under the laws of the relevant *participating jurisdiction* for the *supply* of electricity to *franchise customers* in that *local area*; or
3. if neither 1 or 2 is applicable, such other *Customer* as *NEMMCO* may determine.

Local Retailer/Market Customer Member

A *Member* appointed to the *Information Exchange Committee* in that membership category as set out in the *Information Exchange Committee Election Procedures*.

local spot price

A price determined according to clause 3.9.1(c).

loss factor

A multiplier used to describe the *electrical energy loss* for electricity used or transmitted.

low reserve

The conditions described in clause 4.8.4(a).

major supply disruption

The unplanned absence of *voltage* on a part of the *transmission system* affecting one or more *power stations*.

mandatory restrictions

Restrictions imposed by a *participating jurisdiction* by a relevant law, other than the *Rules*, on the use of electricity in a *region*.

mandatory restriction period

The period of *mandatory restrictions*.

mandatory restriction schedule

A schedule prepared in accordance with clause 3.12A.2.

marginal electrical energy loss

The *electrical energy loss* associated with an infinitesimal increment in electricity produced, transported and/or used.

marginal loss factor

A multiplier used to describe the *marginal electrical energy loss* for electricity used or transmitted.

market

Any of the markets or exchanges described in the *Rules*, for so long as the market or exchange is conducted by *NEMMCO*.

market ancillary service

A service identified in clause 3.11.2(a).

market ancillary service offer

A notice submitted by an *Ancillary Service Provider* to *NEMMCO* in respect of a *market ancillary service* in accordance with clause 3.8.7A.

market ancillary service specification

Has the meaning given in clause 3.11.2(b).

market ancillary services commencement date

29 September 2001.

market auditor

A person appointed by *NEMMCO* to carry out a *review* under clause 3.13.10(a).

market commencement

The date declared as such by *NEMMCO*, on which trading in the *market* commences.

market connection point

A *connection point* where any *load* is classified in accordance with Chapter 2 as a *market load* or which *connects* any *market generating unit* to the *national grid*, or where the *network service* connected at that *connection point* is a *market network service*.

Market Customer

A *Customer* who has classified any of its *loads* as a *market load* and who is also registered by *NEMMCO* as a *Market Customer* under Chapter 2.

market customer's additional claim

Has the meaning given in clause 3.12.11(c1)(4).

market floor price

A price floor on *regional reference prices* as described in clause 3.9.6.

market generating unit

A *generating unit* whose *sent out generation* is not purchased in its entirety by the *Local Retailer* or by a *Customer* located at the same *connection point* and which has been classified as such in accordance with Chapter 2.

Market Generator

A *Generator* who has classified at least one *generating unit* as a *market generating unit* in accordance with Chapter 2 and who is also registered by *NEMMCO* as a *Market Generator* under Chapter 2.

market information

Information, other than *confidential information*, concerning the operation of the *spot market* or relating to the operation of, inputs to, or outputs from the *central dispatch* process.

market information bulletin board

A facility established by *NEMMCO* on the *electronic communication system* for the posting of information which may then be available to *Registered Participants*.

market load

A *load* at a *connection point* the electricity relating to which is purchased other than from the *Local Retailer* and which is classified by the person *connected* at that *connection point* or, with the consent of that person, by some other person, as a *market load* in accordance with Chapter 2. There can be more than one *market load* at any one *connection point*.

market management systems

NEMMCO's market information systems and associated communications networks used to support the electronic communication by Registered Participants and others connected to or making use of the systems and networks in the operation of the market.

Market Management Systems Access Procedures

The procedures to be followed by *Registered Participants* and *Metering Providers* in connecting to and making use of the *market management systems* from time to time *published* by *NEMMCO* under clause 3.19.

market network service

A *network service* which is classified as a *market network service* in accordance with clause 2.5.2.

Market Network Service Provider

A *Network Service Provider* who has classified any of its *network services* as a *market network service* in accordance with Chapter 2 and who is also registered by *NEMMCO* as a *Market Network Service Provider* under Chapter 2.

Market Participant

A person who is registered by *NEMMCO* as a *Market Generator*, *Market Customer* or *Market Network Service Provider* under Chapter 2.

Market Participant registered data

The data kept on the register in accordance with schedule 5.5.

Market Settlement and Transfer Solution Procedures

The procedures from time to time *published* by *NEMMCO* under clause 7.2.8 which include those governing the recording of financial responsibility for *energy flows* at a *connection point*, the transfer of that responsibility between *Market Participants* and the recording of *energy flows* at a *connection point*.

market suspension

Suspension of the *market* by *NEMMCO* in accordance with clause 3.14.3.

material inter-network impact

A material impact on another *Transmission Network Service Provider's network*, which impact may include (without limitation):

- (a) the imposition of *power transfer constraints* within another *Transmission Network Service Provider's network*; or
- (b) an adverse impact on the quality of *supply* in another *Transmission Network Service Provider's network*.

materially

For the purposes of the application of clause 6A.7.3, an event (other than a *network support event*) results in a *Transmission Network Service Provider*

incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the *Transmission Network Service Provider* has incurred and is likely to incur in any *regulatory year* of the *regulatory control period*, as a result of that event, exceeds 1% of the *maximum allowed revenue* for the *Transmission Network Service Provider* for that *regulatory year*. In other contexts, the word has its ordinary meaning.

maximum allowed revenue

For a *Transmission Network Service Provider* for a *regulatory year* of a *regulatory control period*, the amount calculated as such in accordance with rule 6A.3.

maximum credit limit

In relation to a *Market Participant* a credit limit determined by *NEMMCO* for that *Market Participant* in accordance with clause 3.3.8.

maximum demand

The highest amount of electrical power delivered, or forecast to be delivered, over a defined period (*day*, week, month, season or year) either at a *connection point*, or simultaneously at a defined set of *connection points*.

maximum power input (MPI)

The largest single *supply* input to a particular location or *region*, typically the output of the largest single *generating unit* or group of *generating units* or the highest *power transfer* of a single *transmission line* or *interconnection*.

maximum total payment

The amount determined in accordance with clause 3.15.22.

measurement element

An energy measuring component which converts the flow of electricity in a power conductor into an electronic signal and / or a mechanically recorded electrical measurement.

medium term capacity reserve

At any time, the amount of surplus generating capacity indicated by the relevant *Generators* as being available for a particular period, being more than 7 *days* in the future but not more than 12 weeks, and which is assessed as being in excess of the capacity requirement to meet the forecast *load* demand, taking into account the known or historical levels of demand management.

medium term capacity reserve standard

The level of *medium term capacity reserves* required for a particular period as set out in the *power system security and reliability standards*.

medium-term PASA

The PASA in respect of the period from the 8th *day* after the current *trading day* to 24 months after the current *trading day* in accordance with clause 3.7.2.

Member

A person appointed to the *Information Exchange Committee* pursuant to the *Information Exchange Committee Election Procedures*, and includes all membership categories, unless a contrary intention appears.

meter

A device complying with *Australian Standards* which measures and records the production or consumption of electrical *energy*.

metering

Recording the production or consumption of electrical *energy*.

metering data

The data obtained from a *metering installation*, the processed data or substituted data.

metering database

A database of *metering data* and *settlements ready data* maintained and administered by *NEMMCO* in accordance with clause 7.9.

metering installation

The assembly of components and/or processes that are controlled for the purpose of metrology and which lie between the *metering point(s)* or *unmetered connection point* and the point of connection to the *telecommunications network*, as shown in schedule 7.1.

[**Note:** The assembly of components may include the combination of several metering points to derive the metering data for a connection point. The metering installation must be classified as a revenue metering installation and/or a check metering installation.]

metering point

The point of physical connection of the device measuring the current in the power conductor.

Metering Provider

A person who meets the requirements listed in schedule 7.4 and has been accredited by and registered by *NEMMCO* as a Metering Provider.

metering register

A register of information associated with a *metering installation* as required by schedule 7.5.

metering system

The collection of all components and arrangements installed or existing between each *metering point* and the *metering database*, as shown in schedule 7.1 .

metrology procedure

The procedure developed and published by *NEMMCO* in accordance with rule 7.14.

minimum access standard

In relation to a technical requirement of access, a standard of performance, identified in a schedule of Chapter 5 as a minimum access standard for that technical requirement, such that a *plant* that does not meet that standard will be denied access because of that technical requirement.

minimum technical ancillary service standards

The minimum technical service standards prepared by *NEMMCO* in accordance with clause 3.11.4.

Minister

A Minister that is a “Minister” under the *National Electricity Law*.

Minister of (a, that, another, or other, etc) participating jurisdiction

Has the same meaning as Minister of a participating jurisdiction has in the *National Electricity Law*.

Ministers of the MCE

Ministers of the participating jurisdictions acting as the MCE where MCE has the same meaning as in the *National Electricity Law*.

monitoring equipment

The testing instruments and devices used to record the performance of *plant* for comparison with expected performance.

month

Unless otherwise specified, the period beginning at 4.30 am on the relevant commencement date and ending at 4.30 am on the date in the next calendar month corresponding to the commencement date of the period.

nameplate rating

The maximum continuous output or consumption in MW of an item of equipment as specified by the manufacturer, or as subsequently modified.

NATA

National Association of Testing Authorities.

National Electricity Code

Has the same meaning as in the *National Electricity Law*.

National Electricity Law

The National Electricity Law set out in the schedule to the National Electricity (South Australia) Act 1996 (SA) and applied in each of the *participating jurisdictions*.

National Electricity Market

Has the same meaning as in the *National Electricity Law*.

national electricity objective

The objective stated in section 7 of the Law.

national grid

The sum of all *connected transmission systems* and *distribution systems* within the *participating jurisdictions*.

National Measurement Act

The National Measurement Act 1960 of the Commonwealth as amended from time to time.

national transmission flow path

That portion of a *transmission network* or *transmission networks* used to transport significant amounts of electricity between *generation centres* and *load centres*.

NCAS

A network control ancillary service.

negative change event

For a *Transmission Network Service Provider*, a *pass through event* which entails the *Transmission Network Service Provider* incurring *materially lower costs* in providing *prescribed transmission services* than it would have incurred but for that event.

For a *Distribution Network Service Provider*, a *pass through event* that materially reduces the costs of providing *direct control services*.

negative network support event

A network support event which entails a *Transmission Network Service Provider* making lower *network support payments* in the preceding *regulatory year* than the amount of *network support payments* (if any) that is provided for in the *annual building block revenue requirement* for the provider for that *regulatory year*.

negative pass through amount

In respect of a *negative change event* for a *Transmission Network Service Provider*, an amount that is not greater than a *required pass through amount* as determined by the *AER* under clause 6A.7.3(g).

In respect of a *negative change event* for a *Distribution Network Service Provider*, an amount that is not greater than a *required pass through amount* as determined by the *AER* under clause 6.6.1(g).

negotiable service

- (a) In relation to *transmission services* means *negotiated transmission services*.
- (b) In relation to *distribution services* means *negotiated distribution services*.

negotiated access standard

In relation to a technical requirement of access for a particular *plant*, an agreed standard of performance determined in accordance with clause 5.3.4A and

identified as a negotiated access standard for that technical requirement in a *connection agreement*.

negotiated distribution service

A *distribution service* that is a *negotiated network service* within the meaning of section 2C of the Law;

Negotiated Distribution Service Criteria

The criteria specified in a distribution determination in accordance with clause 6.7.4.

Negotiated Distribution Service Principles

The principles set out in clause 6.7.1.

negotiated transmission service

Any of the following services:

- (a) a *shared transmission service* that:
 - (1) exceeds the *network* performance requirements (whether as to quality or quantity) (if any) as that *shared transmission service* is required to meet under any *jurisdictional electricity legislation*; or
 - (2) except to the extent that the *network* performance requirements which that *shared transmission service* is required to meet are prescribed under any *jurisdictional electricity legislation*, exceeds or does not meet the *network* performance requirements (whether as to quality or quantity) as are set out in schedule 5.1a or 5.1;
- (b) *connection services* that are provided to serve a *Transmission Network User*, or group of *Transmission Network Users*, at a single *transmission network connection point*, other than *connection services* that are provided by one *Network Service Provider* to another *Network Service Provider* to *connect* their *networks* where neither of the *Network Service Providers* is a *Market Network Service Provider*; or
- (c) *use of system services* provided to a *Transmission Network User* and referred to in rule 5.4A(f)(3) in relation to *augmentations* or *extensions* required to be undertaken on a *transmission network* as described in rule 5.4A,

but does not include an *above-standard system shared transmission service* or a *market network service*.

Negotiated Transmission Service Criteria

For a *Transmission Network Service Provider* under a *transmission determination*, the criteria set out in that *transmission determination* pursuant to clause 6A.9.4.

Negotiated Transmission Service Principles

The principles set out in clause 6A.9.1.

negotiated use of system service

A *use of system service* in respect of which:

- (a) a *Connection Applicant* may negotiate with a *Transmission Network Service Provider*;
- (b) an *Embedded Generator* may negotiate with a *Distribution Network Service Provider*; or
- (c) a *Market Network Service Provider* may negotiate with a *Distribution Network Service Provider*,

in accordance with clauses 5.4A(f)(3) or 5.5(f)(3).

negotiated use of system charges

The charges described in clauses 5.4A(f)(3) or 5.5(f)(3).

negotiating framework

For a *Transmission Network Service Provider*, the negotiating framework approved or included by the *AER* for that *Transmission Network Service Provider* in a final decision under clause 6A.14.1(6).

For a *Distribution Network Service Provider*, a negotiating framework as approved or substituted by the *AER* in its final decision under clause 6.12.1(15).

NEM

The *National Electricity Market*.

NEMMCO

National Electricity Market Management Company Limited A.C.N. 072 010 327.

NEMMCO co-ordinating centre

The control centre from which *NEMMCO* conducts *market* related activities and the coordination of the operation of the *national grid*.

NEMMCO power system security responsibilities

The responsibilities described in clause 4.3.1.

network

The apparatus, equipment, plant and buildings used to convey, and control the conveyance of, electricity to customers (whether wholesale or retail) excluding any *connection assets*. In relation to a *Network Service Provider*, a *network* owned, operated or controlled by that *Network Service Provider*.

network capability

The capability of the *network* or part of the *network* to transfer electricity from one location to another.

network connection

The formation of a physical link between the *facilities* of two *Registered Participants* or a *Registered Participant* and a customer being a *connection* to a *transmission* or *distribution network* via *connection assets*.

network constraint

A *constraint* on a *transmission network* or *distribution network*.

network control ancillary service

A service identified in clause 3.11.4(a) which provides *NEMMCO* with a capability to control the real or *reactive power flow* into or out of a *transmission network* in order to:

- (a) maintain the *transmission network* within its current, *voltage*, or stability limits following a *credible contingency event*; or
- (b) enhance the value of *spot market* trading in conjunction with the *central dispatch* process.

network coupling point

The point at which *connection assets* join a *distribution network*, used to identify the *distribution service* price payable by a *Customer*.

network dispatch offer

An notice submitted by a *Scheduled Network Service Provider* to *NEMMCO* relating to the *dispatch* of a *scheduled network service* in accordance with clause 3.8.6A.

network element

A single identifiable major component of a *transmission system* or *distribution system* involving:

- (a) an individual *transmission* or *distribution* circuit or a phase of that circuit; or
- (b) a major item of apparatus or equipment associated with the function or operation of a *transmission line*, *distribution line* or an associated *substation* or *switchyard* which may include *transformers*, circuit breakers, *reactive plant* and *monitoring equipment* and control equipment.

network loop

A set of *network elements* that are *connected* together in the form of a closed path, that is in such a way that by progressing from each element to the next it is possible to return to the starting point.

network losses

Energy losses incurred in the transfer of electricity over a *transmission network* or *distribution network*.

network service

Transmission service or distribution service associated with the conveyance, and controlling the conveyance, of electricity through the network.

Network Service Provider

A person who engages in the activity of owning, controlling or operating a *transmission or distribution system* and who is registered by NEMMCO as a *Network Service Provider* under Chapter 2.

network service provider performance report

A report prepared by the AER under section 28V of the Law.

network support event

- (a) If, at the end of a *regulatory year* of a *regulatory control period*, the amount of *network support payments* made by a *Transmission Network Service Provider* for that previous *regulatory year* is higher or lower than the amount of *network support payments* (if any) that is provided for in the *annual building block revenue requirement* for the *Transmission Network Service Provider* for that *regulatory year*, this constitutes a *network support event*.
- (b) In calculating the amount for the purposes of a *network support event* referred to in paragraph (a), the amount of *network support payments* made by a *Transmission Network Service Provider* must not include an amount of *network support payments* that are a substitute for a *network augmentation* where an allowance for capital expenditure in relation to that *network augmentation* has been provided for in the *revenue determination*.

network support pass through amount

The amount that should be passed through to *Transmission Network Users* in the *regulatory year* following the preceding *regulatory year*, in respect of a *network support event* for a *Transmission Network Service Provider*.

network support payment

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

- (a) any *Generator* providing *network support services* in accordance with clause 5.6.2; or
- (b) any other person providing a *network support service* that is an alternative to *network augmentation*.

Network User

A *Generator*, a *Transmission Customer*, a *Distribution Customer* or a *Market Network Service Provider*.

new distribution network investment

Investment in a *new large distribution network asset* or a *new small distribution network asset*.

new large distribution network asset

An asset of a *Distribution Network Service Provider* which is an *augmentation* and in relation to which the *Distribution Network Service Provider* has estimated it will be required to invest a total capitalised expenditure in excess of \$10 million, unless the *AER* publishes a requirement that a *new large distribution network asset* is to be distinguished from a *new small distribution network asset* if it involves investment of a total capitalised expenditure in excess of another amount, or satisfaction of another criterion. Where such a specification has been made, an asset must require total capitalised expenditure in excess of that amount or satisfaction of those other criteria to be a *new large distribution network asset*.

new large network asset

A *new large distribution network asset* or a *new large transmission network asset*.

new large transmission network asset

An asset of a *Transmission Network Service Provider* which is an *augmentation* and in relation to which the *Transmission Network Service Provider* has estimated it will be required to invest a total capitalised expenditure in excess of \$10 million, unless the *AER* publishes a requirement that a *new large transmission network asset* is to be distinguished from a *new small network asset* if it involves investment of a total capitalised expenditure in excess of another amount, or satisfaction of another criterion. Where such a specification has been made, an asset must require total capitalised expenditure in excess of that amount or satisfaction of those other criteria to be a *new large transmission network asset*.

new network investment

New distribution network investment or *new transmission network investment*.

new small distribution network asset

An asset of a *Distribution Network Service Provider* which is an *augmentation* and:

- (a) in relation to which the *Distribution Network Service Provider* has estimated it will be required to invest a total capitalised expenditure in excess of \$1 million, unless the *AER* publishes a requirement that an asset will be a *new small distribution network asset* if it involves investment of a total capitalised expenditure in excess of another amount, or satisfaction of another criterion. Where such specification has been made, an asset must require total capitalised expenditure in excess of that amount or satisfaction of those other criteria to be a *new small distribution network asset*; and
- (b) is not a *new large distribution network asset*.

new small network asset

A *new small distribution network asset* or a *new small transmission network asset*.

new small transmission network asset

An asset of a *Transmission Network Service Provider* which is an *augmentation* and:

- (a) in relation to which the *Transmission Network Service Provider* has estimated it will be required to invest a total capitalised expenditure in excess of \$1 million, unless the *AER* publishes a requirement that an asset will be a *new small transmission network asset* if it involves investment of a total capitalised expenditure in excess of another amount, or satisfaction of another criterion. Where such a specification has been made, an asset must require total capitalised expenditure in excess of that amount or satisfaction of those other criteria to be a *new small transmission network asset*; and
- (b) is not a *new large transmission network asset*.

new transmission network investment

Investment in a *new large transmission network asset* or a *new small transmission network asset*.

NMAS

A *non-market ancillary service*.

NMI

A National Metering Identifier as described in clause 7.3.1(d).

NMI Standing Data

The following data in respect of a *connection point*:

- (a) the *NMI* of the *connection point* and the street address of the relevant *connection point* to which that *NMI* is referable;
- (b) the *NMI* checksum for the *connection point*;
- (c) the identity of the *Local Network Service Provider*;
- (d) the code (known as a *TNI*) identifying the relevant *transmission node* which identifies the *transmission loss factor* and/or *transmission use of system charge* for the *connection point*;
- (e) the relevant *distribution loss factor* applicable to the *connection point*;
- (f) the Network Tariff (identified by a code) applicable in respect of the *connection point*;
- (g) the *NMI* classification code (as set out in the *Market Settlement and Transfer Solution Procedures*) of the *connection point*;
- (h) the read cycle date, or date of next scheduled read or date in a relevant code representing the read cycle date or date of next scheduled read, for that *connection point*;
- (i) the profile type applicable to the *connection point*; and
- (j) such other categories of data as may be referred to in the *Market Settlement and Transfer Solution Procedures* as forming *NMI Standing Data*,

and, for the avoidance of doubt, does not include any *metering data* or other details of an end-user's consumption at that *connection point*.

nomenclature standards

The standards approved by *NEMMCO* in conjunction with the *Network Service Providers* relating to numbering, terminology and abbreviations used for information transfer between *Registered Participants* as provided for in clause 4.12.

nominal voltage

The design *voltage* level, nominated for a particular location on the *power system*, such that power lines and circuits that are electrically connected other than through transformers have the same *nominal voltage* regardless of operating *voltage* and *normal voltage*.

non-credible contingency event

An event described in clause 4.2.3(e).

non-market ancillary service

Network control ancillary services and *system restart ancillary services*.

non-market generating unit

A *generating unit* whose *sent out generation* is purchased in its entirety by the *Local Retailer* or by a *Customer* located at the same *connection point* and which has been classified as such in accordance with Chapter 2.

Non-Market Generator

A *Generator* who has classified a *generating unit* as a *non-market generating unit* in accordance with Chapter 2.

Non-Registered Customer

A person who:

1. purchases electricity through a *connection point* with the *national grid* other than from the *spot market*; and
2. is eligible to be registered by *NEMMCO* as a *Customer* and to classify the *load* described in (1) as a *first-tier load* or a *second-tier load*, but is not so registered.

non-regulated transmission services

A *transmission service* that is neither a *prescribed transmission service* nor a *negotiated transmission service*.

non-scheduled generating unit

A *generating unit* so classified in accordance with Chapter 2.

non-scheduled generating system

A *generating system* comprising *non-scheduled generating units*.

Non-Scheduled Generator

A *Generator* in respect of which any *generating unit* is classified as a *non-scheduled generating unit* in accordance with Chapter 2.

non-scheduled load

A *market load* which is not a *scheduled load*.

normal operating frequency band

In relation to the *frequency* of the *power system*, means the range 49.9Hz to 50.1Hz or such other range so specified in the *power system security and reliability standards*.

normal operating frequency excursion band

In relation to the *frequency* of the *power system*, means the range specified as being acceptable for infrequent and momentary excursions of *frequency* outside the *normal operating frequency band*, being the range of 49.75 Hz to 50.25 Hz or such other range so specified in the *power system security and reliability standards*.

normal voltage

In respect of a *connection point*, its *nominal voltage* or such other *voltage* up to 10% higher or lower than *nominal voltage*, as approved by NEMMCO, for that *connection point* at the request of the *Network Service Provider* who provides *connection* to the *power system*.

normally off

Describes a *scheduled load* which, unless *dispatched* in accordance with its *dispatch bid*, and in accordance with clause 3.8.7(j), should be considered as being switched off.

normally on

Describes a *scheduled load* which, unless *dispatched* in accordance with its *dispatch bid*, and in accordance with clause 3.8.7(i), should be considered as being switched on.

off-loading price

The price specified for a *price band* and a *trading interval* in a *dispatch offer*, in accordance with clause 3.8.6, for the *off-loading* of a *scheduled generating unit* below its *self-dispatch level*.

off-loading price band

A *price band* submitted for *off-loading* below a *self-dispatch level* for a *trading interval* in a *dispatch offer*.

off-loading, off-load

The reduction in electricity output or consumption.

operating expenditure criteria

For a *Transmission Network Service Provider* – the matters listed in clause 6A.6.6(c)(1)–(3).

For a *Distribution Network Service Provider* – the matters listed in clause 6.5.6(c)(1)–(3).

operating expenditure factors

For a *Transmission Network Service Provider* – the factors listed in clause 6A.6.6(e)(1)–(10).

For a *Distribution Network Service Provider* – the factors listed in clause 6.5.6(e)(1)–(10).

operating expenditure objectives

For a *Transmission Network Service Provider* – the objectives set out in clause 6A.6.6(a).

For a *Distribution Network Service Provider* – the objectives set out in clause 6.5.6(a).

operational communication

A communication concerning the arrangements for, or actual operation of, the *power system* in accordance with the *Rules*.

operational frequency tolerance band

The range of *frequency* within which the *power system* is to be operated to cater for the occurrence of a *contingency event* as specified in the *power system security and reliability standards*.

outage

Any full or partial unavailability of equipment or *facility*.

outstandings

In relation to a *Market Participant*, the dollar amount determined by the formula in clause 3.3.9.

over-recovery amount

Any amount by which the revenue earned from the provision of *prescribed transmission services* in previous *financial years* exceeds the sum of the *AARR* in those *financial years*, grossed up by the application of an annual interest rate approved by the *AER* for this purpose.

Participant compensation fund

The fund of that name referred to in clause 3.16.

participant derogation

Has the meaning given in the *National Electricity Law*. The participant derogations are included in Chapter 8A.

Participant fees

The fees payable by *Registered Participants* described in clause 2.11.

participating jurisdiction

A jurisdiction that is a “participating jurisdiction” under the *National Electricity Law*.

PASA availability

The *physical plant capability* of a *scheduled generating unit*, *scheduled load* or *scheduled network* service, including any capability that can be made available within 24 hours.

pass through event

Any of the following is a pass through event:

- (a) a regulatory change event;
- (b) a service standard event;
- (c) a tax change event;
- (d) a terrorism event.

An *insurance event* is a pass through event for a *transmission determination* (in addition to those listed above).

An event nominated in a distribution determination as a pass through event is a pass through event for the determination (in addition to those listed above).

payment date

The 20th *business day* after the end of a *billing period*.

payment period

The typical period between trading and payment defined in schedule 3.3.

peak load

Maximum *load*.

performance incentive scheme parameters

For a *service target performance incentive scheme*, those parameters that are *published* by the *AER* in respect of that scheme pursuant to clause 6A.7.4(c).

performance standard

A standard of performance that:

- (a) is established as a result of it being:
 - (1) accepted by *NEMMCO* in accordance with rule 4.14(d)(1);
 - (2) taken to be an applicable performance standard in accordance with clause 5.3.4A(i);
 - (3) deemed to apply in accordance with rule 4.14(h); or

- (4) determined pursuant to rule 4.14(m); or
- (b) is included in the register of *performance standards* established and maintained by *NEMMCO* under rule 4.14(n),
as the case may be.

performance standards commencement date

For:

- (a) *Generators, Customers* and *Network Service Providers* who plan, own, operate or control a *facility* located in a *participating jurisdiction* (other than Tasmania), the *performance standards commencement date* is, in relation to that *facility*, 16 November 2003; and
- (b) *Generators, Customers* and *Network Service Providers* who plan, own, operate or control a *facility* located in Tasmania, the *performance standards commencement date* is, in relation to that *facility*, the date that Tasmania becomes a *participating jurisdiction*.

physical plant capability

The maximum MW output or consumption which an item of electrical equipment is capable of achieving for a given period.

plant

In relation to a *connection point*, includes all equipment involved in generating, utilising or transmitting electrical *energy*.

In relation to *dispatch bids and offers*, controllable generating equipment and controllable *loads*.

In relation to the *statement of opportunities* prepared by *NEMMCO*, individually controllable generating facilities registered or capable of being registered with *NEMMCO*.

plant standard

An Australian or international standard or a part thereof that:

- (a) the *Reliability Panel* determines to be an acceptable alternative to a particular *minimum access standard* or *automatic access standard* for a particular class of *plant*, or
- (b) a schedule in Chapter 5 establishes as an acceptable alternative to a particular *minimum access standard* or *automatic access standard* for a particular class of *plant*.

positive change event

For a *Transmission Network Service Provider*, a *pass through event* which entails the *Transmission Network Service Provider* incurring *materially* higher costs in providing *prescribed transmission services* than it would have incurred but for that event, but does not include a *contingent project* or an associated *trigger event*.

For a *Distribution Network Service Provider*, a *pass through event* that materially increases the costs of providing *direct control services*.

positive network support event

A *network support event* which entails a *Transmission Network Service Provider* making higher *network support payments* in the preceding *regulatory year* than the amount of *network support payments* (if any) that is provided for in the *annual building block revenue requirement* for the provider for that *regulatory year*.

positive pass through amount

For a *Transmission Network Service Provider*, an amount (not exceeding the *eligible pass through amount*) proposed by the provider under clause 6A.7.3(c).

For a *Distribution Network Service Provider*, an amount (not exceeding the *eligible pass through amount*) proposed by the provider under clause 6.6.1(c).

postage stamp basis

A system of charging *Network Users* for *transmission service* or *distribution service* in which the price per unit is the same regardless of how much *energy* is used by the *Network User* or the location in the *transmission network* or *distribution network* of the *Network User*.

post-tax revenue model

For a *Transmission Network Service Provider*, the model prepared and *published* by the *AER* in accordance with clause 6A.5.1.

For a *Distribution Network Service Provider*, the model prepared and *published* by the *AER* in accordance with clause 6.4.1.

potential transmission project

New transmission network investment identified by the *AEMC* which, in the opinion of the *AEMC*, is likely, if constructed, to relieve forecast *constraints* in respect of *national transmission flow paths* between *regional reference nodes*.

potential value

In relation to a *transaction* for a *Market Participant*, the dollar amount determined by the procedure in clause 3.3.14.

power factor

The ratio of the *active power* to the *apparent power* at a *metering point*.

power station

In relation to a *Generator*, a *facility* in which any of that *Generator's generating units* are located.

power system

The electricity power system of the *national grid* including associated *generation* and *transmission* and *distribution networks* for the *supply* of electricity, operated as an integrated arrangement.

power system damping

The rate at which disturbances to the *satisfactory operating state* reduce in magnitude.

power system demand

The total *load* (in MW) supplied by the *power system*.

power system operating procedures

The procedures to be followed by *Registered Participants* in carrying out operations and/or maintenance activities on or in relation to primary and *secondary equipment connected* to or forming part of the *power system* or *connection points*, as described in clause 4.10.1.

power system reserve constraint

A *constraint* in the *central dispatch* due to the need to provide or maintain a specified type and level of *reserve*.

power system security

The safe scheduling, operation and control of the *power system* on a continuous basis in accordance with the principles set out in clause 4.2.6.

power system security and reliability standards

The standards (other than the *system restart standard*) governing *power system security* and *reliability* of the *power system* to be approved by the *Reliability Panel* on the advice of *NEMMCO*, but which may include but are not limited to standards for the *frequency* of the *power system* in operation, *contingency capacity reserves* (including guidelines for assessing requirements), *short term capacity reserves* and *medium term capacity reserves*.

power transfer

The instantaneous rate at which *active energy* is transferred between *connection points*.

power transfer capability

The maximum permitted *power transfer* through a *transmission* or *distribution network* or part thereof.

pre-dispatch

Forecast of *dispatch* performed one *day* before the *trading day* on which *dispatch* is scheduled to occur.

pre-dispatch schedule

A schedule prepared in accordance with clause 3.8.20(a).

preliminary program

The program to be prepared by a *Network Service Provider* showing proposed milestones for *connection* and access activities as specified in clause 5.3.3(b)(6).

preliminary statement

Has the meaning given in clause 3.15.14(a).

prescribed common transmission services

Prescribed transmission services that provide equivalent benefits to all *Transmission Customers* who have a *connection point* with the relevant *transmission network* without any differentiation based on their location within the *transmission system*.

prescribed entry services

Entry services that are *prescribed transmission services* by virtue of the operation of clause 11.6.11.

prescribed exit services

Exit services that are *prescribed transmission services* by virtue of the operation of clause 11.6.11 and *exit services* provided to *Distribution Network Service Providers*.

prescribed transmission service

Any of the following services:

- (a) a *shared transmission service* that:
 - (1) does not exceed such *network* performance requirements (whether as to quality or quantity) as that *shared transmission service* is required to meet under any *jurisdictional electricity legislation*;
 - (2) except to the extent that the *network* performance requirements which that *shared transmission service* is required to meet are prescribed under any *jurisdictional electricity legislation*, does not exceed such *network* performance requirements (whether as to quality or quantity) as are set out in schedule 5.1a or 5.1; or
 - (3) is an *above-standard system shared transmission service*;
- (b) services that are required to be provided by a *Transmission Network Service Provider* under the *Rules*, or in accordance with *jurisdictional electricity legislation*, to the extent such services relate to the provision of the services referred to in paragraph (a), including such of those services as are:
 - (1) required by *NEMMCO* to be provided under the *Rules*; and
 - (2) necessary to ensure the integrity of a *transmission network*, including through the maintenance of *power system security* and assisting in the planning of the *power system*; or
- (c) *connection services* that are provided by a *Transmission Network Service Provider* to another *Network Service Provider* to connect their *networks* where neither of the *Network Service Providers* is a *Market Network Service Provider*;

but does not include a *negotiated transmission service* or a *market network service*.

prescribed TUOS services or prescribed transmission use of system services;

Prescribed transmission services that:

- (a) provide different benefits to *Transmission Customers* who have a *connection point* with the relevant *transmission network* depending on their location within the *transmission system*; and
- (b) are not *prescribed common transmission services*, *prescribed entry services* or *prescribed exit services*.

price band

A MW quantity specified in a *dispatch bid*, *dispatch offer* or *market ancillary service offer* as being available for *dispatch* at a specified price.

pricing methodology

For a *Transmission Network Service Provider*, means the pricing methodology approved by the *AER* for that *Transmission Network Service Provider* and included in a *transmission determination* as referred to in rule 6A.24.

pricing methodology guidelines

Guidelines made by the *AER* under rule 6A.25 that contain the matters set out in clause 6A.25.2.

Pricing Principles for Prescribed Transmission Services

The principles set out in rule 6A.23.

pricing proposal

A pricing proposal under Part I of Chapter 6.

pricing zone

A geographic area within which *Network Users* are charged a specific set of *distribution service* prices.

primary restart service

A *system restart ancillary service* that meets the technical and availability requirements of a *primary restart service* specified by *NEMMCO* under clause 3.11.4A(d).

profile

Energy data or costs for a period longer than a *trading interval* allocated into *trading intervals*.

projected assessment of system adequacy process (“PASA”)

The medium term and short term processes described in clause 3.7 to be administered by *NEMMCO*.

Proponent

In respect of clause 5.7.7 has the meaning given in clause 5.7.7(a).

proposed contingent capital expenditure

The total forecast capital expenditure for the relevant *proposed contingent project*, as included in the *Revenue Proposal* for that project.

proposed contingent project

A proposal by a *Transmission Network Service Provider* as part of a *Revenue Proposal* for a project to be determined by the *AER* as a *contingent project* for the purposes of a *revenue determination* in accordance with clause 6A.8.1(b).

prospective reallocation

A *reallocation transaction* that occurs in a *trading interval* that takes place at a time after the *reallocation request* is made.

protection system

A system, which includes equipment, used to protect a *Registered Participant's facilities* from damage due to an electrical or mechanical fault or due to certain conditions of the *power system*.

prudential margin

A dollar amount to be determined by *NEMMCO* in accordance with clause 3.3.8.

prudential requirements

The requirements which must be satisfied as a condition of eligibility to remain a *Market Participant* in accordance with clause 3.3.

publish/publication

A document is published by the *AER* if it is:

- (a) published on the *AER's* website; and
- (b) made available for public inspection at the *AER's* public offices; and
- (c) in the case of a document inviting submissions from members of the public – published in a newspaper circulating generally throughout Australia.

A document is published by someone else if it is made available to *Registered Participants* electronically.

ramp rate

The rate of change of *active power* supplied from a *generating unit*, supplied to a *load* or transferred by a *scheduled network service*.

rated active power

- (1) In relation to a *generating unit*, the maximum amount of *active power* that the *generating unit* can continuously deliver at the *connection point* when operating at its *nameplate rating*.

- (2) In relation to a *generating system*, the combined maximum amount of *active power* that its in-service *generating units* can deliver at the *connection point*, when its in-service *generating units* are operating at their *nameplate ratings*.

reaction period

The estimated period of time taken to remove defaulting *Market Participants* from the *market* as defined in schedule 3.3.

reactive energy

A measure, in varhour–(varh), of the alternating exchange of stored energy in inductors and capacitors, which is the time-integral of the product of *voltage* and the out-of-phase component of current flow across a *connection point*.

reactive plant

Plant which is normally specifically provided to be capable of providing or absorbing *reactive power* and includes the *plant* identified in clause 4.5.1(g).

reactive power

The rate at which *reactive energy* is transferred.

Reactive power is a necessary component of alternating current electricity which is separate from *active power* and is predominantly consumed in the creation of magnetic fields in motors and *transformers* and produced by *plant* such as:

- (a) alternating current generators;
- (b) capacitors, including the capacitive effect of parallel *transmission* wires; and
- (c) *synchronous condensers*.

reactive power capability

The maximum rate at which *reactive energy* may be transferred from a *generating unit* to a *connection point* as specified or proposed to be specified in a *connection agreement* (as the case may be).

reactive power reserve

Unutilised sources of *reactive power* arranged to be available to cater for the possibility of the unavailability of another source of *reactive power* or increased requirements for *reactive power*.

reactive power support/reactive support

The provision of *reactive power*.

reactor

A device, similar to a *transformer*, specifically arranged to be *connected* into the *transmission system* during periods of low *load* demand or low *reactive power* demand to counteract the natural capacitive effects of long *transmission lines* in

generating excess *reactive power* and so correct any *transmission voltage* effects during these periods.

reallocation

A process under which two *Market Participants* request *NEMMCO* to make matching debits and credits to the position of those *Market Participants* with *NEMMCO*.

reallocation amount

In respect of a *Market Participant*, the positive or negative dollar amount in respect of a *reallocation transaction* being an amount payable to or by the *Market Participant*.

reallocation procedures

The procedures *published* by *NEMMCO* under clause 3.15.11A.

reallocation request

A request to *NEMMCO* for a *reallocation*, pursuant to clause 3.15.11(c).

reallocation transaction

A *transaction* which occurs when the applicable *trading interval* specified in a *reallocation request* occurs and the *reallocation request* has been registered and not deregistered before the expiration of the *trading interval*.

Reallocator

A person registered as a Reallocator by *NEMMCO* in accordance with rule 2.5B.

reasonable worst case

A position that, while not being impossible, is to a probability level that the estimate would not be exceeded more than once in 48 months.

rebid

A variation to a bid or offer made in accordance with clause 3.8.22.

reduced payment period request

A written request to *NEMMCO* for the purpose of schedule 3.3, paragraph VI(C).

Referred Affected Participant

An *Affected Participant* who has a claim referred to an independent expert pursuant to clauses 3.12.11(f) or 3.12.11(g).

Referred Directed Participant

A *Directed Participant* who has a claim referred to an independent expert pursuant to clauses 3.15.7B(c) or 3.15.7B(d).

Referred Market Customer

A *Market Customer* who has a claim referred to an independent expert pursuant to clauses 3.12.11(f) or 3.12.11(g).

region, regional

An area recommended by *NEMMCO* and approved by the AEMC in accordance with clause 3.5, being an area served by a particular part of the *transmission network* containing one or more major *load centres* or *generation centres* or both.

regional benefit directions procedures

Has the meaning given in clause 3.15.8(b2).

regional reference node

A location on a *transmission* or *distribution network* to be determined for each *region* by *NEMMCO* in accordance with clause 3.5.1.

regional reference price

Spot price at the *regional reference node*.

regional specific power system operating procedures

The procedures described in clause 4.10.1(a)(3).

Regions Publication

The document *published* by *NEMMCO* under clause 3.5.5 that provides a list of all *regions*, *regional reference nodes* and the *region* to which each *market connection point* is assigned.

registered bid and offer data

Data submitted by *Scheduled Generators* and *Market Participants* to *NEMMCO* in relation to their *scheduled loads*, *scheduled generating units* and *scheduled market network services* in accordance with schedule 3.1.

Registered Participant

A person who is registered by *NEMMCO* in any one or more of the categories listed in clauses 2.2 to 2.7 (in the case of a person who is registered by *NEMMCO* as a *Trader*, such a person is only a *Registered Participant* for the purposes referred to in clause 2.5A). However, as set out in clause 8.2.1(a1), for the purposes of some provisions of clause 8.2 only, *NEMMCO* and *Connection Applicants* who are not otherwise *Registered Participants* are also deemed to be *Registered Participants*.

Registered Participant Agent

An agent of a *Registered Participant* appointed under clause 4.11.5.

regulated interconnector

An *interconnector* which is referred to in clause 11.8.2 of the *Rules* and is subject to *transmission service* regulation and pricing arrangements in Chapter 6A.

regulating capability

The capability to perform *regulating duty*.

regulating capability constraints

Constraints on the formulation of a realisable dispatch or predispach schedule due to the need to provide for regulating capability.

regulating duty

In relation to a *generating unit*, the duty to have its *generated* output adjusted frequently so that any *power system frequency* variations can be corrected.

regulating lower service

The service of controlling the level of *generation* or *load* associated with a particular *facility*, in accordance with the requirements of the *market ancillary service specification*, in accordance with electronic signals from *NEMMCO* in order to lower the *frequency* of the *power system*.

regulating raise service

The service of controlling the level of *generation* or *load* associated with a particular *facility*, in accordance with the requirements of the *market ancillary service specification*, in accordance with electronic signals from *NEMMCO* in order to raise the *frequency* of the *power system*.

regulation services

The *regulating raise service* and *regulating lower service*.

regulatory change event

A change in a *regulatory obligation* or *requirement* that:

- (a) falls within no other category of *pass through event*; and
- (b) occurs during the course of a *regulatory control period*; and
- (c) substantially affects the manner in which the *Transmission Network Service Provider* provides *prescribed transmission services* or the *Distribution Network Service Provider* provides *direct control services* (as the case requires); and
- (d) *materially* increases or *materially* decreases the costs of providing those services.

regulatory control period

- (a) In respect of a *Transmission Network Service Provider*, a period of not less than 5 *regulatory years* in which a *total revenue cap* applies to that provider by virtue of a *revenue determination*.
- (b) In respect of a *Distribution Network Service Provider*, a period of not less than 5 *regulatory years* for which the provider is subject to a control mechanism imposed by a distribution determination.

regulatory obligation or requirement

Has the meaning assigned in the Law.

regulatory proposal

A proposal (by a *Distribution Network Service Provider*) under rule 6.8.

regulatory test

The test developed and published by the *AER* in accordance with clause 5.6.5A, as in force from time to time, and includes amendments made in accordance with clause 5.6.5A.

regulatory year

Each consecutive period of 12 calendar months in a *regulatory control period*, the first such 12 month period commencing at the beginning of the *regulatory control period* and the final 12 month period ending at the end of the *regulatory control period*.

related body corporate

In relation to a body corporate, a body corporate that is related to the first-mentioned body by virtue of the Corporations Act 2001 (Cth).

relevant tax

Any tax payable by a *Transmission Network Service Provider* or a *Distribution Network Service Provider* other than:

- (a) income tax and capital gains tax;
- (b) stamp duty, financial institutions duty and bank accounts debits tax;
- (c) penalties, charges, fees and interest on late payments, or deficiencies in payments, relating to any tax; or
- (d) any tax that replaces or is the equivalent of or similar to any of the taxes referred to in paragraphs (a) to (b) (including any State equivalent tax).

Relevant Transmission Network Service Provider, Relevant TNSP

In respect of clause 5.7.7 has the meaning given in clause 5.7.7(a).

reliability

The probability of a system, device, *plant* or equipment performing its function adequately for the period of time intended, under the operating conditions encountered.

reliability augmentation

A *transmission network augmentation* that is necessitated principally by inability to meet the minimum *network* performance requirements set out in schedule 5.1 or in relevant legislation, regulations or any statutory instrument of a *participating jurisdiction*.

Reliability Panel

The panel established by the *AEMC* under section 38 of the *National Electricity Law*.

reliability safety net end date

A date which is the earlier of:

- (a) a date determined by the *AEMC* and published in the South Australian Government Gazette, having regard to any recommendation of the *Reliability Panel* under clause 3.12.1(b); or
- (b) 1 July 2008.

reliable

The expression of a recognised degree of confidence in the certainty of an event or action occurring when expected.

reliable operating state

In relation to the *power system*, has the meaning set out in clause 4.2.7.

remote acquisition

The acquisition of interval *metering data* from a *metering installation*, where the acquisition process transmits the *metering data* from the site of the *metering point* to the *metering database*, and does not, at any time, require the presence of a person at, or near, the interval *meter* for the purposes of data collection or data verification (whether this occurs manually as a walk-by reading or through the use of a vehicle as a close proximity drive-by reading), and remote acquisition includes but is not limited to methods that transmit *metering data* via:

- (1) direct dial-up;
- (2) satellite;
- (3) the internet;
- (4) a general packet radio service;
- (5) power line carrier; or
- (6) any other equivalent technology.

remote control equipment

Equipment used to control the operation of elements of a *power station* or *substation* from a *control centre*.

remote monitoring equipment

Equipment installed to enable monitoring of a *facility* from a *control centre*.

representative

In relation to a person, any employee, agent or professional adviser of:

- (a) that person; or
- (b) a *related body corporate* of that person; or
- (c) a third party contractor to that person.

required pass through amount

In respect of a *negative change event* for a *Transmission Network Service Provider*, the costs in the provision of *prescribed transmission services* that the *Transmission Network Service Provider* has saved and is likely to save until the end of the *regulatory control period* as a result of that *negative change event* (as opposed to the revenue impact of that event).

In respect of a *negative change event* for a *Distribution Network Service Provider*, the costs in the provision of *direct control services* that the *Distribution Network Service Provider* has saved and is likely to save up to the end of the *regulatory control period* as a result of the *negative change event* (as opposed to the revenue impact of that event).

reserve

Short term capacity reserve and *medium term capacity reserve* as contracted by NEMMCO under clause 3.12.

reserve contract

A contract between a *Registered Participant* and NEMMCO to provide any *reserve* and includes a contract between a *Market Network Service Provider* and NEMMCO to facilitate *reserves* in one *region* being made available in another *region*.

response breakpoint

- (a) In relation to a *market ancillary service offer* to raise the *frequency* of the *power system*, the level of associated *generation* or *load* (in MW) above which the amount of response specified in the *offer* reduces with increased *generation* or *load* level; and
- (b) in relation to a *market ancillary service offer* to lower the *frequency* of the *power system*, the level of associated *generation* or *load* (in MW) below which the amount of response specified in the *offer* reduces with decreased *generation* or *load* level.

response capability

- (a) In relation to a *market ancillary service offer* to raise the *frequency* of the *power system*, the amount of the response in (MW) which is specified in the *offer* for every level of associated *generation* or *load* below the associated *response breakpoint*; and
- (b) in relation to a *market ancillary service offer* to lower the *frequency* of the *power system*, the amount of the response in (MW) which is specified in the *offer* for every level of associated *generation* or *load* above the associated *response breakpoint*.

responsible person

The person who has responsibility for the provision of a *metering installation* for a particular *connection point*, being either the *Local Network Service Provider* or the *Market Participant* as described in Chapter 7.

restriction demand reduction

The reduction in a *Market Customer's* demand due to the imposition of *mandatory restrictions* as reasonably determined by an independent expert in accordance with clause 3.12A.7. For the avoidance of doubt, the reduction of a *Market Customer's* demand due to the imposition of *mandatory restrictions* should exclude any reduction in its demand which the *Market Customer* claims was due to the operation of *generation* and as reasonably verified by the independent expert in a similar manner to that used by the independent expert to determine restrictions due to demand management.

restriction offer

An offer by a *Scheduled Generator* or a *Scheduled Network Service Provider* to provide capacity to *NEMMCO* for all or part of a *mandatory restriction period* made in accordance with the *restriction offer procedures*.

restriction offer procedures

The procedures developed by *NEMMCO* in accordance with clause 3.12A.1.

restriction shortfall amount

The amount determined in accordance with clause 3.12A.7(b).

retailer of last resort

In relation to a jurisdiction, means a person or persons required under the retailer of last resort arrangements of that jurisdiction to assume the obligations under the *Rules* (including the obligation to pay *trading amounts* and other amounts due under the *Rules*) of a *Market Customer* that has defaulted in the performance of its obligations under the *Rules*.

revenue determination

A determination referred to in clause 6A.2.2(1) and rule 6A.4 as substituted (if at all) pursuant to clause 6A.7.1 or rule 6A.15 or as amended pursuant to clause 6A.8.2.

revenue meter

The *meter* that is used for obtaining the primary source of *metering data*.

revenue metering data

The *metering data* obtained from a *revenue metering installation*.

revenue metering installation

A *metering installation* used as the primary source of *metering data* for the *settlements* process.

revenue metering point

The *metering point* at which the *revenue metering installation* is connected.

Revenue Proposal

For a *Transmission Network Service Provider*, a proposal submitted or resubmitted by the *Transmission Network Service Provider* to the *AER* pursuant to clause 6A.10.1(a), clause 6A.11.2 or clause 6A.12.3(a) (as the context requires).

review

An examination of the specified matters conducted to the standard specified for a "review" in Auditing Standard AUS106: "Explanatory Framework for standards on Audit and Audit Related Services" prepared by the Auditing Standards Board, as varied from time to time.

revised statement

A statement issued by *NEMMCO* under clause 3.15.19 following the resolution of a dispute regarding a *final statement*.

RMS phase voltage

The *voltage* of *supply* measured as the average of the root mean square of the *voltages* between each pair of phases.

roll forward model

According to context:

- (a) the model developed and published by the *AER* for the roll forward of the regulatory asset base for *transmission systems* in accordance with clause 6A.6.1;
- (b) the model developed and published by the *AER* for the roll forward of the regulatory asset base for *distribution systems* in accordance with clause 6.5.1.

routine revised statement

A *settlement statement* issued by *NEMMCO* under clause 3.15.19(b).

Rule fund

A fund referred to in clause 1.11(a).

Rules

The rules called the National Electricity Rules made under Part 7 of *the National Electricity Law* as amended from time to time in accordance with that Part.

Rules bodies

Any person or body, other than *NEMMCO*, the *AER*, the *AEMC*, or the *ACCC*, that is appointed or constituted by the *Rules* to perform functions under the *Rules*.

Rules consultation procedures

The procedures for consultation with *Registered Participants* or other persons as set out in clause 8.9.

satisfactory operating state

In relation to the *power system*, has the meaning given in clause 4.2.2.

scheduled generating unit

A *generating unit* so classified in accordance with Chapter 2.

scheduled generating system

A *generating system* comprising *scheduled generating units*.

Scheduled Generator

A *Generator* in respect of which any *generating unit* is classified as a *scheduled generating unit* in accordance with Chapter 2.

scheduled high price

The dollar amount per MWh or MW, as the case may be, determined as such by *NEMMCO* pursuant to clause 3.3.17.

scheduled load

A *market load* which has been classified by *NEMMCO* in accordance with Chapter 2 as a *scheduled load* at the *Market Customer's* request. Under Chapter 3, a *Market Customer* may submit *dispatch bids* in relation to *scheduled loads*.

scheduled low price

The dollar amount per MWh or MW, as the case may be, determined as such by *NEMMCO* pursuant to clause 3.3.17.

scheduled network service

A *network service* which is classified as a *scheduled network service* in accordance with Chapter 2.

Scheduled Network Service Provider

A *Network Service Provider* who has classified any of its *network services* as a *scheduled network service*.

scheduled plant

In respect of a *Registered Participant*, a *scheduled generating unit*, a *scheduled network service* or a *scheduled load* classified by or in respect to that *Registered Participant* in accordance with Chapter 2.

scheduling error

Scheduling error means any of the events described in clause 3.8.24(a).

secondary equipment

Those assets of a *Market Participant's facility* which do not carry the *energy* being traded, but which are required for control, protection or operation of assets which carry such *energy*.

secondary restart service

A *system restart ancillary service* that meets the technical and availability requirements of a *secondary restart service* specified by NEMMCO under clause 3.11.4A(d).

Second-Tier Customer

A *Customer* which has classified any *load* as a *second-tier load* in accordance with Chapter 2.

second-tier load

Electricity purchased at a *connection point* in its entirety other than directly from the *Local Retailer* or the *spot market* and which is classified as a *second-tier load* in accordance with Chapter 2.

secure operating state

In relation to the *power system* has the meaning given in clause 4.2.4.

self-commitment, self-commit

Commitment, where the decision to *commit* a *generating unit* was made by the relevant *Generator* without instruction or direction from NEMMCO.

self-decommitment

Decommitment, where the decision to *decommit* a *generating unit* was made by the relevant *Generator* without instruction or direction from NEMMCO.

self-dispatch level

The level of *generation* in MW, as specified in a *dispatch offer* for a *generating unit* and a *trading interval*, which is the level at which that *generating unit* must be *dispatched* by NEMMCO in that *trading interval* unless otherwise *dispatched* in accordance with clause 3.8 or unless required to operate under a *direction* issued by NEMMCO in accordance with clause 4.8.9.

sensitive loads

Loads defined as sensitive for each *participating jurisdiction* by the *Jurisdictional System Security Coordinator* for that *participating jurisdiction*.

sent out generation

In relation to a *generating unit*, the amount of electricity *supplied* to the *transmission* or *distribution network* at its *connection point*.

Service Applicant

According to context:

- (a) a person who is an existing or intending *Registered Participant* or a person who is eligible to become a *Registered Participant*; or
- (b) a person who asks a *Distribution Network Service Provider* for access to a *distribution service*.

service standard event

A legislative or administrative act or decision that:

- (a) has the effect of:
 - (i) substantially varying, during the course of a *regulatory control period*, the manner in which a *Transmission Network Service Provider* is required to provide a *prescribed transmission service*, or a *Distribution Network Service Provider* is required to provide a *direct control service*; or
 - (ii) imposing, removing or varying, during the course of a *regulatory control period*, minimum service standards applicable to *prescribed transmission services* or *direct control services*; or
 - (iii) altering, during the course of a *regulatory control period*, the nature or scope of the *prescribed transmission services* or *direct control services*, provided by the service provider; and
- (b) *materially* increases or *materially* decreases the costs to the service provider of providing *prescribed transmission services* or *direct control services*.

service target performance incentive scheme

A For a *Transmission Network Service Provider* – a scheme developed and published by the AER in accordance with clause 6A.7.4.

For a *Distribution Network Service Provider* – a scheme developed and published by the AER in accordance with clause 6.6.2.

settlement amount

The amount calculated by NEMMCO pursuant to clause 3.15.12.

settlement statement

Includes an *interim statement*, *preliminary statement* and *final statement*.

settlements

The activity of producing bills and credit notes for *Market Participants*.

settlements ready data

The *metering data* that has undergone a validation and substitution process by NEMMCO for the purpose of *settlements* and is delivered to the *metering database*.

settlements residue

Any surplus or deficit of funds retained by NEMMCO upon completion of *settlements* to all *Market Participants* in respect of a *trading interval*.

settlement residue committee

The committee established by NEMMCO in accordance with clause 3.18.5.

settlement residue distribution agreement or SRD agreement

Has the meaning given in clause 3.18.1(b).

shared distribution service

A service provided to a *Distribution Network User* for use of a *distribution network* for the conveyance of electricity (including a service that ensures the integrity of the related *distribution system*).

shared transmission service

A service provided to a *Transmission Network User* for use of a *transmission network* for the conveyance of electricity (including a service that ensures the integrity of the related *transmission system*).

short circuit fault

A fault having a metallic conducting path between any two or more conductors or between any conductor and ground, including touching conductors and faults through earthing facilities, and excluding faults within equipment at a station.

short term capacity reserve

At any time, the amount of surplus or unused generating capacity indicated by the relevant *Generators* as being available for any half hour period during the next 7 *days* and which is assessed as being in excess of the capacity requirement to meet the current forecast *load* demand, taking into account the known or historical levels of demand management.

short term capacity reserve standard

The level of *short term capacity reserve* required for a particular period in accordance with the *power system security and reliability standards*.

short term PASA

The *PASA* in respect of the period from 2 *days* after the current *trading day* to the end of the 7th day after the current *trading day* inclusive in respect of each *trading interval* in that period.

short term PASA inputs

The inputs to be prepared by *NEMMCO* in accordance with clause 3.7.3(d).

shunt capacitor

A type of *plant connected to a network* to generate *reactive power*.

shunt reactor

A type of *plant connected to a network* to absorb *reactive power*.

single contingency

In respect of a *transmission* or *distribution network* and *Network Users*, a sequence of related events which result in the removal from service of one *Network User*, *transmission* or *distribution line*, or *transformer*. The sequence of events may include the application and clearance of a fault of defined severity.

single credible contingency event

An event described in clause 4.2.3(c).

slow lower service

The service of providing, in accordance with the requirements of the *market ancillary service specification*, the capability of controlling the level of *generation* or *load* associated with a particular *facility* in response to the locally sensed *frequency* of the *power system* in order to stabilise a rise in that *frequency*.

slow raise service

The service of providing, in accordance with the requirements of the *market ancillary service specification*, the capability of controlling the level of *generation* or *load* associated with a particular *facility* in response to the locally sensed *frequency* of the *power system* in order to stabilise a fall in that *frequency*.

slow start generating unit

A *generating unit* described in clause 3.8.17(a).

slow start reserve generating unit

A *slow start generating unit* providing *reserve*.

Special Participant

A *System Operator* or a *Distribution System Operator*.

special revised statement

A *settlement statement* issued by *NEMMCO* under clause 3.15.19(a)(3).

spot market

The spot market established and operated by *NEMMCO* in accordance with clause 3.4.1.

spot market transaction

A transaction as defined pursuant to clause 3.15.6 which occurs in the *spot market*.

spot price

The price for electricity in a *trading interval* at a *regional reference node* or a *connection point* as determined in accordance with clause 3.9.2.

spot price forecast

A forecast of the *spot price*.

SRAS

A *system restart ancillary service*.

stand-alone amount

For a *category of prescribed transmission services*, the costs of a *transmission system* asset that would have been incurred had that *transmission system* asset

been developed, exclusively to provide that *category of prescribed transmission services*.

standard control service

A *direct control service* that is subject to a control mechanism based on a *Distribution Network Service Provider's total revenue requirement*.

Standards Australia

The Standards Association of Australia and includes its heirs or successors in business.

statement of opportunities

A statement prepared by *NEMMCO* to provide information to assist *Scheduled Generators, Transmission Network Service Providers* and *Market Participants* in making an assessment of the future need for electricity generating or demand management capacity or augmentation of the *power system*.

statement of regulatory intent

A statement issued by the *AER* under clause 6.5.4(c).

static excitation system

An *excitation control system* in which the power to the rotor of a *synchronous generating unit* is transmitted through high power solid-state electronic devices.

static VAR compensator

A device specifically provided on a *network* to provide the ability to generate and absorb *reactive power* and to respond automatically and rapidly to *voltage* fluctuations or *voltage* instability arising from a disturbance or disruption on the *network*.

submission guidelines

The guidelines made by the *AER* in accordance with rule 6A.10 for the purposes of guiding a *Transmission Network Service Provider* in the submission of a *Revenue Proposal* under Part E of Chapter 6A.

substation

A *facility* at which two or more lines are switched for operational purposes. May include one or more *transformers* so that some *connected* lines operate at different nominal *voltages* to others.

supply

The delivery of electricity.

survey period

An agreed sample period used to determine the allocation of costs and prices for use of *transmission network* or *distribution network* assets.

suspended region

A region in which the *spot market* is suspended in accordance with clause 3.14.5(a).

suspension notice

A notice issued by *NEMMCO* to a *defaulting Market Participant* pursuant to clause 3.15.21(c).

switchyard

The *connection point* of a *generating unit* into the *network*, generally involving the ability to *connect* the *generating unit* to one or more outgoing *network* circuits.

Sydney time

Eastern Standard Time or Eastern Daylight Saving Time as applicable in Sydney.

synchronise

The act of *synchronising* a *generating unit* or a *scheduled network service* to the *power system*.

synchronising, synchronisation

To electrically *connect* a *generating unit* or a *scheduled network service* to the *power system*.

synchronous condensers

Plant, similar in construction to a *generating unit* of the *synchronous generator* category, which operates at the equivalent speed of the *frequency* of the *power system*, specifically provided to generate or absorb *reactive power* through the adjustment of rotor current.

synchronous generating unit

The alternating current generators of most thermal and hydro (water) driven power turbines which operate at the equivalent speed of the *frequency* of the *power system* in its *satisfactory operating state*.

synchronous generator voltage control

The automatic *voltage control system* of a *generating unit* of the *synchronous generator* category which changes the output *voltage* of the *generating unit* through the adjustment of the generator rotor current and effectively changes the *reactive power* output from that *generating unit*.

System Operator

A person whom *NEMMCO* has engaged as its agent, or appointed as its delegate, under clause 4.3.3 to carry out some or all of *NEMMCO's* rights, functions and obligations under Chapter 4 of the *Rules* and who is registered by *NEMMCO* as a *System Operator* under Chapter 2.

system restart ancillary service

A service provided by *facilities* with *black start capability* which allows:

- (a) *energy* to be supplied; and
- (b) a *connection* to be established,

sufficient to restart large *generating units* following a *major supply disruption*.

system restart plan

The plan described in clause 4.8.12(a).

system restart standard

The standard as determined by the *Reliability Panel* in accordance with clause 8.8.3(a)(1a), for the acquisition of *system restart ancillary services*.

system standard

A standard for the performance of the *power system* as set out in schedule 5.1a.

system-wide benefits

Benefits that extend beyond a *Transmission Network User*, or group of *Transmission Network Users*, at a single *transmission connection point* to other *Transmission Network Users*.

take or pay contract

A contract between a buyer and a seller of an asset-based service under which the buyer undertakes to pay regularly to the seller a fixed or minimum sum regardless of the actual level of consumption of the service by the buyer. The contract has the effect of transferring market risk associated with the assets from the seller (as the owner of the assets) to the buyer.

tap-changing transformer

A *transformer* with the capability to allow internal adjustment of output *voltages* which can be automatically or manually initiated and which is used as a major component in the control of the *voltage* of *transmission* and *distribution networks* in conjunction with the operation of *reactive plant*. The *connection point* of a *generating unit* may have an associated tap-changing transformer, usually provided by the *Generator*.

tariff class

A class of customers for one or more *direct control services* who are subject to a particular tariff or particular tariffs.

tax

Any tax, levy, impost, deduction, charge, rate, rebate, duty, fee or withholding which is levied or imposed by an *Authority*.

tax change event

A tax change event occurs if:

- (a) any of the following occurs during the course of a *regulatory control period* for a *Transmission Network Service Provider* or a *Distribution Network Service Provider*:
 - (i) a change in a *relevant tax*, in the application or official interpretation of a *relevant tax*, in the rate of a *relevant tax*, or in the way a *relevant tax* is calculated;
 - (ii) the removal of a *relevant tax*;
 - (iii) the imposition of a *relevant tax*; and
- (b) in consequence, the costs to the service provider of providing *prescribed transmission services* or *direct control services* are materially increased or decreased.

technical envelope

The limits described in clause 4.2.5.

telecommunications network

A telecommunications network that provides access for public use or an alternate telecommunications network that has been approved by *NEMMCO* for the delivery of *metering data*.

terms and conditions of access

According to context:

- (a) the terms and conditions described in clause 6A.1.2 (access to transmission services);
- (b) the terms and conditions described in clause 6.1.3 (access to *distribution services*).

terrorism event

An act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of in connection with any organisation or government), which from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear) and which *materially* increases the costs to a *Transmission Network Service Provider* of providing *prescribed transmission services* or the costs to a *Distribution Network Service Provider* of providing *direct control services*.

test program

In respect of an *inter-network test*, means the program and co-ordination arrangements for the test including, without limitation:

- (1) test procedures;
- (2) the proposed timing of the test;

- (3) operational procedures to manage *power system security* during the test;
- (4) required *power system* conditions for conducting the test;
- (5) test facilitation services including, as necessary, *ancillary services* required to achieve those *power system* conditions;
- (6) criteria for continuing or concluding a test and the decision-making process relevant to the test; and
- (7) contingency arrangements.

tie

Identically priced *dispatch bids* or *dispatch offers*.

time

Eastern Standard Time.

time stamp

The means of identifying the *time* and date at which data is transmitted or received.

timetable

The timetable published by *NEMMCO* under clause 3.4.3 for the operation of the *spot market* and the provision of *market* information.

total revenue cap

For a *Transmission Network Service Provider* for a *regulatory control period*, the sum of the *maximum allowed revenues* for that provider for each *regulatory year* of that *regulatory control period* as calculated in accordance with clause 6A.5.3 and set out in a *revenue determination*.

total revenue requirement

For a *Distribution Network Service Provider*, an amount representing revenue calculated for the whole of a *regulatory control period* in accordance with Part C of Chapter 6.

Trader

A person who is registered by *NEMMCO* as a *Trader* under Chapter 2.

trading amount

The positive or negative dollar amount resulting from a *transaction*, determined pursuant to clauses 3.15.6, 3.15.6A or 3.15.11.

trading day

The 24 hour period commencing at 4.00 am and finishing at 4.00 am on the following *day*.

trading interval

A 30 minute period ending on the hour (EST) or on the half hour and, where identified by a time, means the 30 minute period ending at that time.

trading limit

A dollar amount for a *Market Participant*, determined pursuant to clause 3.3.10.

trading margin

Has the meaning given in clause 3.3.15.

transaction

A *spot market transaction*, *reallocation transaction* or any other transaction either in the *market* or to which *NEMMCO* is a party.

transformer

A *plant* or device that reduces or increases the *voltage* of alternating current.

transformer tap position

Where a tap changer is fitted to a *transformer*, each tap position represents a change in *voltage* ratio of the *transformer* which can be manually or automatically adjusted to change the *transformer* output *voltage*. The tap position is used as a reference for the output *voltage* of the *transformer*.

transmission

Activities pertaining to a *transmission system* including the conveyance of electricity through that *transmission system*.

transmission consultation procedures

The procedures set out in Part H of Chapter 6A that must be followed by:

- (a) the *AER* in making, developing or amending guidelines, models or schemes or in reviewing methodologies; or
- (b) the *AEMC* in developing or amending guidelines.

Transmission Customer

A *Customer*, *Non-Registered Customer* or *Distribution Network Service Provider* having a *connection point* with a *transmission network*.

transmission determination

Has the meaning given in the *National Electricity Law*, and includes a determination by the *AER* as described in rule 6A.2.

transmission element

A single identifiable major component of a *transmission system* involving:

- (a) an individual *transmission* circuit or a phase of that circuit;
- (b) a major item of *transmission plant* necessary for the functioning of a particular *transmission* circuit or *connection point* (such as a *transformer* or a circuit breaker).

transmission line

A power line that is part of a *transmission network*.

transmission network

A *network* within any *participating jurisdiction* operating at nominal *voltages* of 220 kV and above plus:

- (a) any part of a *network* operating at nominal *voltages* between 66 kV and 220 kV that operates in parallel to and provides support to the higher voltage *transmission network*;
- (b) any part of a *network* operating at nominal *voltages* between 66 kV and 220 kV that is not referred to in paragraph (a) but is deemed by the *AER* to be part of the *transmission network*.

transmission network connection point

A *connection point* on a *transmission network*.

Transmission Network Service Provider

A person who engages in the activity of owning, controlling or operating a *transmission system*.

Transmission Network User

In relation to a *transmission network*, a *Transmission Customer*, a *Generator* whose *generating unit* is directly *connected* to the *transmission network* or a *Network Service Provider* whose *network* is *connected* to the *transmission network*.

transmission network user access

The *power transfer capability* of the *transmission network* in respect of:

- (a) *generating units* or group of *generating units*;
- (b) *network elements*; or
- (c) plant,

at a *connection point* which has been negotiated in accordance with rule 5.4A.

transmission or distribution system

A *transmission system* or *distribution system* that:

1. is used to convey, and control the conveyance of, electricity to customers (whether wholesale or retail); and
2. is *connected* to another such system.

transmission plant

Apparatus or equipment associated with the function or operation of a *transmission line* or an associated *substation* or *switchyard*, which may include *transformers*, circuit breakers, *reactive plant* and *monitoring equipment* and control equipment.

Transmission Ring-Fencing Guidelines

The Guidelines made under rule 6A.21.

transmission service

The services provided by means of, or in connection with, a *transmission system*.

transmission services access dispute

A dispute between a *Transmission Network Service Provider* and a *Service Applicant* as to *terms and conditions of access* for the provision of *prescribed transmission services* or for the provision of *negotiated transmission services* as referred to in clause 6A.1.2, that is for determination by a *commercial arbitrator* under Part K of Chapter 6A.

transmission system

A *transmission network*, together with the *connection assets* associated with the *transmission network*, which is connected to another *transmission or distribution system*.

[transmission standard control service](#)

[Has the meaning given in clause 6.25\(a\).](#)

[transmission standard control service revenue](#)

[Has the meaning given in clause 6.26\(b\)\(1\).](#)

transmission use of system, transmission use of system service

A *Generator transmission use of system service* or a *Customer transmission use of system service*.

trigger event

In relation to a *proposed contingent project* or a *contingent project*, a specific condition or event described in clause 6A.8.1(c), the occurrence of which, during the relevant *regulatory control period*, may result in the amendment of a *revenue determination* under clause 6A.8.2.

two-terminal link

One or more *network elements* that together enable the transfer of *energy* between two, and only two, *connection points*.

type 5 accumulation boundary

The volume of *energy* for a *connection point* above which the *metering data* that is extracted or emanates from a *type 5 metering installation* must be extracted or emanate as *interval energy data* for the purpose of producing *settlements ready data*.

[**Note:** Below the type 5 accumulation boundary, the metering data may be extracted or emanate from the metering installation as accumulated energy data for the purpose of producing settlements ready data, in which case the metering installation must be registered with NEMMCO as a type 6 metering installation. Otherwise the metering data may be extracted or emanate as interval energy data for the purpose of producing settlements ready data in which case the metering installation must be registered with NEMMCO as a type 5 metering installation.]

typical accrual

Has the meaning given in clause 3.3.12(a).

uncompleted transaction

Has the meaning given in clause 3.3.16(b).

unconstrained

Free of *constraint*.

under-recovery amount

Any amount by which the sum of the *AARR* in previous *financial years* exceeds the revenue earned from the provision of *prescribed transmission services* in those previous years, grossed up by the application of an annual interest rate approved by the *AER* for this purpose.

unmetered connection point

A *connection point* at which a *meter* is not necessary under schedule 7.2.

use of system

Includes *transmission use of system* and *distribution use of system*.

use of system services

Transmission use of system service and *distribution use of system service*.

value of lost load (VoLL)

A price cap on *regional reference prices*, described in clause 3.9.4.

violation

In relation to *power system security*, a failure to meet the requirements of Chapter 4 or the *power system security and reliability standards*.

virtual transmission node

A non-physical node used for the purpose of *market settlements*, having a *transmission loss factor* determined in accordance with clause 3.6.2(b)(3).

voltage

The electronic force or electric potential between two points that gives rise to the flow of electricity.

voltage transformer (VT)

A *transformer* for use with *meters* and/or protection devices in which the *voltage* across the secondary terminals is, within prescribed error limits, proportional to and in phase with the *voltage* across the primary terminals.

WACC

Weighted average cost of capital.

weighted average cost of capital

For a *Transmission Network Service Provider* for a *regulatory control period*, the return on capital for that *Transmission Network Service Provider* for that *regulatory control period* as calculated in accordance with clauses 6A.6.2(b) to (e), and in any other case an amount determined in a manner consistent with schedule 6.1.

For a *Distribution Network Service Provider* for a *regulatory control period*, the return on capital for that *Distribution Network Service Provider* for that *regulatory control period* calculated in accordance with clause 6.5.2.