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AEMC

Draft National Electricity Amendment (Transgrid Participant Derogation - Treatment of Contingent Projects (Interim Arrangements)) Rule 2006

under the National Electricity Law as applied by:

(a)   the National Electricity (South Australia) Act 1996; and

(b)   the Electricity (National Scheme) Act 1997 of the Australian Capital Territory; and

(c)   the National Electricity (New South Wales) Act 1997 of New South Wales; and

(d)   the Electricity - National Scheme (Queensland) Act 1997 of Queensland; and

(e)   the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania; and

(f)   the National Electricity (Victoria) Act 1997 of Victoria; and

(g)   the Australian Energy Market Act 2004 of the Commonwealth.

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

John Tamblyn
Chairman
Australian Energy Market Commission

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National Electricity Amendment (Transgrid Participant Derogation - Treatment of Contingent Projects (Interim Arrangements)) Rule 2006

1. Title of Rule

This Rule is the *National Electricity Amendment (Transgrid Participant Derogation - Treatment of Contingent Projects (Interim Arrangements)) Rule 2006.*

2. Commencement

This Rule commences operation on the day the notice of the making of the Rule is published in the South Australian Government Gazette.

3. Amendment of the National Electricity Rules

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

4. Notes

Notes do not form part of this Rule.

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Schedule 1   Amendment of National Electricity Rules

(Clause 3)

[1]   Chapter 8A   Participant derogations

Omit the words of the heading

Part 1 –   Derogations granted to South Australian Generators

Insert:

Part 1 –   Transgrid derogation for the treatment of Contingent Projects under revenue determination

8A.1.1   Expiry date

This derogation expires on 30 June 2009.

8A.1.2   Definitions

In this *participant derogation*:

"contingent project" means a project identified in the *Determination* as a contingent project.

"current regulatory period" means the period 1 July 2004 to 30 June 2009.

"Determination" means the "Final Decision, NSW and ACT Transmission Network Revenue Cap TransGrid 2004-05 to 2008-09" dated 27 April 2005 determined by the ACCC pursuant to clause 6.2.4(b) of the National Electricity Code.

"efficient capital costs" means the amount of capital expenditure for a *contingent project* that the AER will include in TransGrid's *RAB* in accordance with Appendix F of the *Determination*.

"financial parameters" means the cost of capital parameter values stated in Table 8.6.1 of the *Determination*.

"**future regulatory period**" means the regulatory period immediately following the *current regulatory period*.

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"maximum allowed revenue" means the maximum allowable revenue in the *Determination*.

"Post Tax Revenue Model" means the revenue model including the *financial parameters*, applied by the ACCC in determining the *Determination*.

"RAB" means the regulated asset base in the *Determination*.

"trigger" means an event identified as a trigger in Attachment G of the *Determination* and which must occur prior to implementation of a *contingent project*.

8A.1.3   Treatment of contingent projects

Where the *trigger* identified in respect of the *contingent project* has occurred prior to 1 July 2009:

(a)   the *efficient capital costs* of the *contingent project* incurred in each given *financial year* are to be added to the value of TransGrid's *RAB* at the end of that *financial year* in the *current regulatory period* applying the *Post Tax Revenue Model*; and

(b)   at the end of each *financial year* the *maximum allowed revenue* of TransGrid for the next year which is set out in the *Determination* is increased to include an additional amount consistent with the application in the *Determination* of the *financial parameters* to the *RAB* equal to:

   (1)   the return on capital; plus

   (2)   the return of capital,

   for the sum of all *efficient capital costs* that are included in TransGrid's *RAB* pursuant to clauses 8A.1.3(a) in that or any previous *financial year*; and

(c)   notwithstanding anything to the contrary in the *Determination*, in setting the *revenue cap* for the *future regulatory period*, the *AER* must treat the *contingent project* as a non-*contingent project* commenced in the *current regulatory period*.