National Electricity Rules Version 21

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

This version of the National Electricity Rules is provided for information purposes only. The Australian Energy Market Commission does not guarantee the accuracy, reliability or completeness of this consolidated version. The official Draft National Electricity Amendment (Cost Allocation Arrangements for Transmission Services) Rule 2008 is published separately on the website of the Australian Energy Market Commission.
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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 2007, 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:

\[
rf + \beta_e \times \text{MRP}
\]

where:

- \(rf\) is the nominal risk free rate for the regulatory control period determined in accordance with paragraph (c);
- \(\beta_e\) is the equity beta, which is deemed to be 1.0; and
- \(\text{MRP}\) 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:

- \(\text{DRP}\) 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 annualised nominal risk free 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 equal to that used to derive the nominal risk free rate.

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 conclude the first review by 31 March 2009 and conclude subsequent reviews at intervals of 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 return on debt to reflect the current cost of borrowings for comparable debt;

(3) the need for the credit rating levels or the values attributable to, or the methodologies used to calculate, 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 credit rating levels or the values that are attributable to, or the methodologies used to calculate, the 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 credit rating level or a value for, or a methodology used to calculate, that parameter that differs from the credit rating level, value or methodology 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 (ETCᵢ) must be calculated in accordance with the following formula:

$$\text{ETC}_i = (\text{ETI}_i \times r_i) (1 - \gamma)$$

where:

ETIᵢ 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;

rᵢ 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 conclude the first review by 31 March 2009 and conclude
subsequent reviews at intervals of 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).
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;
   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;

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*.

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

(1) prescribed transmission services and negotiated transmission services; or

(2) categories of prescribed transmission services,

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

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 (e.g. transmission lines, substations etc); or

   ii. category driver (e.g. 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:

<table>
<thead>
<tr>
<th>Transmission Network Service Provider</th>
<th>Regulatory Asset Base (Sm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EnergyAustralia</td>
<td>635.6 (as at 1 July 2004)</td>
</tr>
<tr>
<td>TransGrid</td>
<td>3,012.76 (as at 1 July 2004)</td>
</tr>
<tr>
<td>Powerlink</td>
<td>As per transitional revenue determination in accordance with clause 11.6.12</td>
</tr>
<tr>
<td>ElectraNet</td>
<td>823.75 (as at 1 January 2003)</td>
</tr>
<tr>
<td>Transend</td>
<td>603.6 (as at 31 December 2003)</td>
</tr>
<tr>
<td>SP AusNet</td>
<td>1,835.60 (as at 1 January 2003)</td>
</tr>
<tr>
<td>Murraylink Transmission Company</td>
<td>102.96 (as at 1 October 2003)</td>
</tr>
<tr>
<td>Directlink</td>
<td>116.68 (as at 1 July 2005)</td>
</tr>
</tbody>
</table>
(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.

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

(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 Prudence and efficiency of capital expenditure

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

S6A.2.3 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 
\textit{prescribed transmission services} by:

(i) seeking to negotiate the payment of a lower price by the relevant 
\textit{Transmission Network Users} for those \textit{prescribed transmission services} in accordance with the \textit{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 \textit{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 \textit{regulatory test}.

(b) The AER may determine a separate amount which is to be included in the 
\textit{annual building block revenue requirement} for a \textit{Transmission Network Service Provider} for each \textit{regulatory year} of a \textit{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 \textit{transmission system}, 
but only if it is satisfied that:

(1) the risk is not otherwise addressed through another provision of the 
\textit{Rules};

(2) the provider has taken all the steps that a prudent \textit{Transmission 
Network Service Provider} would take to manage the risk; and

(3) the \textit{total revenue cap} for the provider for that \textit{regulatory control 
period} does not adequately reflect risks that cannot be reasonably 
managed.

\textbf{S6A.2.4 Roll forward of regulatory asset base within the same regulatory 
control period}

(a) \textbf{Application of this clause}

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

(b) \textbf{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*. 
11. Savings and Transitional Rules

Part A  Negative Inter-Regional Settlements Residue (2006 amendments)

11.1 Rules consequent on making of the National Electricity Amendment (Negative Inter-Regional Settlements Residue) Rule 2006

11.1.1 Recovery of accrued negative settlements residue

(a) Clause 3.6.5(a)(4), as in force immediately before 1 July 2006 which is the date the National Electricity Amendment (Negative Inter-Regional Settlements Residue) Rule 2006 commences operation, continues to apply to any negative settlements residue amounts arising before 1 July 2005 and not recovered as at 1 July 2005 until all such negative amounts have been recovered.

(b) Where negative settlements residue amounts arise on or after 1 July 2005 and are not recovered before 1 July 2006 which is the date the National Electricity Amendment (Negative Inter-Regional Settlements Residue) Rule 2006 commences operation, then:

(i) the whole or any part of the amount may be recovered from the proceeds of the first auction after 1 July 2006 which is the date the National Electricity Amendment (Negative Inter-Regional Settlements Residue) Rule 2006 commences operation; and

(ii) if the whole or a part of the amount is not recoverable under clause 11.1.1(b)(i), the unrecovered amount may be recovered from the proceeds of successive auctions until the negative amount is recovered.

(c) Clause 3.6.5(a)(4A), as in force immediately before 30 June 2009, continues to apply to any negative settlements residue amounts arising on or after 1 July 2006 but before 30 June 2009, and not recovered as at 30 June 2009, until all such negative amounts have been recovered.

11.1.2 Recovery of interest costs associated with accrued negative settlements residue

(a) Where interest costs incurred by NEMMCO in relation to any unrecovered negative settlements residue amounts referred to in clause 3.6.5(a)(4A) arise on or after 1 July 2005 and are not recovered before 1 July 2006 which is the date the National Electricity Amendment (Negative Inter-Regional Settlements Residue) Rule 2006 commences operation, then:
(i) the whole or any part of the interest costs may be recovered from the proceeds of the first auction after 1 July 2006 which is the date the National Electricity Amendment (Negative Inter-Regional Settlements Residue) Rule 2006 commences operation; and

(ii) if the whole or a part of the interest costs are not recoverable under clause 11.1.2(b)(i), the unrecovered interest costs may be recovered from the proceeds of successive auctions until the interest costs are recovered.

(b) Clause 3.6.5(a)(4B), as in force immediately before 30 June 2009, continues to apply to any interest costs arising on or after 1 July 2006 but before 30 June 2009, and not recovered as at 30 June 2009, until all such interest costs have been recovered.

Part B System Restart Ancillary Services (2006 amendments)

11.2 Rules consequent on making of the National Electricity Amendment (System Restart Ancillary Services and pricing under market suspension) Rule 2006 No.6

11.2.1 Transitional provision for acquisition of non-market ancillary services

(a) For the purposes of clause 11.2.1:

- **Amending Rule** means the National Electricity Amendment (System Restart Ancillary Services and pricing under market suspension) Rule 2006.

- **Existing NMAS contract** means an ancillary services agreement between NEMMCO and another person to acquire non-market ancillary services from that person, entered into prior to the NMAS commencement date.

- **NMAS commencement date** means the date of commencement of the National Electricity Amendment (System Restart Ancillary Services and pricing under market suspension) Rule 2006;

(b) On the NMAS commencement date

(1) Any action taken by NEMMCO or a Rules body prior to the NMAS commencement date in anticipation of the commencement of the Amending Rule is deemed to have been taken for the purpose of the Amending Rule and continues to have effect for that purpose.

(2) NEMMCO may continue to acquire non-market ancillary services under an existing NMAS contract and may extend the period of an
existing NMAS contract for such period as NEMMCO and that person reasonably determine.

(3) At any time when no system restart standard under clause 8.8.3(a)(1a) is in force, NEMMCO must develop and publish an interim system restart standard that is:

(i) consistent with the requirements in clause 8.8.3(a); and

(ii) approved by the Reliability Panel;

and the interim system restart standard applies until such time as the Reliability Panel determines a system restart standard.

11.3 [Deleted]

Part C Dispute Resolution for Regulatory Test (2006 amendments)

11.4 Rules consequent on making of the National Electricity Amendment (Dispute Resolution for Regulatory Test) Rule 2006

11.4.1 Continuation of things done under old clause 5.6.6

(a) For the purposes of clause 11.4.1:

amending Rule means the National Electricity Amendment (Dispute Resolution for Regulatory Test) Rule 2006

commencement date means the date of commencement of the amending Rule

new clause 5.6.6 means clause 5.6.6 after the commencement of the amending Rule

old clause 5.6.6 means clause 5.6.6 before the commencement of the amending Rule.

(b) On the commencement date:

(1) any dispute commenced under the old clause 5.6.6 and not completed before the commencement date, must continue to be conducted and completed as if it were a dispute commenced in accordance with the old clause 5.6.6.

(2) Subject to clause 11.4.1(b)(1), any action taken under the old clause 5.6.6 is deemed to have been taken for the purposes of the corresponding requirement in the new clause 5.6.6 and continues to have effect for those purposes.
Part D Metrology (2006 amendments)

11.5 Rules consequential on the making of the National Electricity Amendment (Metrology) Rule 2006

11.5.1 Definitions

For the purposes of this rule 11.5:

- **Amending Rule** means the National Electricity Amendment (Metrology) Rule 2006.
- **commencement date** means the day on which the Amending Rule commences operation.
- **old Chapter 7** means Chapter 7 of the Rules as in force immediately before the commencement date.
- **new Chapter 7** means Chapter 7 of the Rules as in force immediately after the commencement date.

11.5.2 Metrology procedures continues to apply until 31 December 2006

A metrology procedure as in force under the old Chapter 7 continues in force in accordance with the old Chapter 7 until 31 December 2006.

11.5.3 Responsible person

A Local Network Service Provider who is the responsible person for a metering installation under Chapter 9 of the Rules immediately before the commencement date continues to be the responsible person for that metering installation for the purposes of clause 7.2.3.

11.5.4 NEMMCO's responsibility to develop a metrology procedure

(a) Subject to this clause 11.5.4, NEMMCO must publish an initial metrology procedure by 1 January 2007 in accordance with the new Chapter 7 and this procedure must commence operation on 1 January 2007.

(b) The requirement in clause 7.14.1(b) that requires a minimum period of 3 months between the date the metrology procedure is published and the date the metrology procedure commences does not apply to the initial metrology procedure developed and published under this clause 11.5.4.

(c) Any action taken by NEMMCO for the purpose of developing and publishing an initial metrology procedure prior to the commencement date is taken to satisfy the equivalent actions required for a metrology procedure under the new Chapter 7.
(d) *NEMMCO* may dispense with, or not comply with, any relevant action under rule 7.14, if the action duplicates or is consistent with action that has already been taken under paragraph (c).

(e) An initial metrology procedure developed and published under this clause 11.5.4 is taken to be the *metrology procedure* for the purposes of Chapter 7 of the *Rules*.

(f) The initial metrology procedure is not required to incorporate the matters referred to in clause 7.14.1(c)(4) until 30 June 2008 and *NEMMCO* may develop a separate procedure for those matters during that period to 30 June 2008.

### 11.5.5 Jurisdictional metrology material in the metrology procedure

(a) For the purposes of this clause 11.5.5, *expiry date* means 1 January 2009.

(b) Until the expiry date, the *Ministers of the MCE* is taken to be each *Minister of the participating jurisdictions*, acting on behalf of that jurisdiction and undertaking the role of the *Ministers of the MCE* in relation to *jurisdictional metrology material* under clause 7.14.2.

(c) For the avoidance of doubt, a *Minister of a participating jurisdiction* may delegate the role of submitting *jurisdictional metrology material* to *NEMMCO* under paragraph (b) by instrument in writing.

(d) A certified copy of any delegation given under paragraph (c) must be provided to *NEMMCO* at the time any *jurisdictional metrology material* is submitted to *NEMMCO* under clause 7.14.2.

[Note: Ministers of participating jurisdiction have powers of delegation under their own jurisdictional legislation governing the procedure for conferring such delegations.]

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**Part E Economic Regulation of Transmission Services (2006 amendments)**

### 11.6 Rules consequent on making of the National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006

#### 11.6.1 Definitions

Subject to this rule 11.6, in this rule 11.6:

*Amending Rule 2006* means the National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006.
**commencement date** means the date on which the *Amending Rule* 2006 commences operation.

**current regulatory control period** means the regulatory control period applicable to an existing revenue determination.

**distribution matters** includes matters relating to the economic regulation of *distribution services*, including, but not limited to, existing determinations, decisions, instruments, agreements or any other relevant action.

**ElectraNet** means ElectraNet Pty Ltd ACN 094 482 416 trading as ElectraNet.

**existing revenue determination** means any determination made, or deemed to be made, by the *ACCC* or the *AER* on or prior to the commencement date for the purpose of regulating the revenues of a *Transmission Network Service Provider*.

**first regulatory control period** means a *regulatory control period* immediately after a current regulatory control period.

**first revenue cap determination** means the first *revenue cap determination* after an existing revenue cap determination.

**new Chapter 6A** means Chapter 6A of the *Rules* as in force immediately after the commencement of the *Amending Rule* 2006.

**old Chapter 6** means Chapter 6 of the *Rules* as in force immediately before the commencement of the *Amending Rule* 2006.

**old clause 6.5.9** means clause 6.5.9 of the *Rules* as in force immediately before the commencement of the *Amending Rule* 2006.

**old Part C** means Part C (Transmission Pricing) of Chapter 6 of the *Rules* as in force immediately before the commencement of the *Amending Rule* 2006.

**old Part F** means Part F (Interconnections) of Chapter 6 of the *Rules* as in force immediately before the commencement of the *Amending Rule* 2006.

**relevant action** includes (without limitation) any of the following actions in relation to *distribution* matters:

(a) the performance or exercise of any function, power, obligation or right;

(b) the making or publishing of any guideline, standard, procedure, report, negotiating framework or other document;

(c) the giving, publishing, service or receipt of any communication, notice or other document;

(d) the provision or receipt of any submission or information;
(e) the making or receiving any inquiry, request or application;
(f) the undertaking or completion of any transaction;
(g) the payment of any monetary amount or fee.

renumbered Chapter 6 means Chapter 6 of the Rules as in force immediately after the commencement of the Amending Rule 2006.

SP AusNet means SPI PowerNet Pty Ltd ACN 079 798 173.


VENCorp means the Victorian Energy Networks Corporation established under the Gas Industry Act 1994 (Vic) and continued under the Gas Industry Act 2001 (Vic).

11.6.2 New Chapter 6A does not affect existing revenue determinations
(a) Subject to this rule 11.6, the old Chapter 6 continues to apply to and in respect of, existing revenue determinations as if the new Chapter 6A had not been made.

(b) The Amending Rule 2006 has no effect on the continuing operation of clause 9.8.4G.

(c) The Amending Rule 2006 has no effect on the continuing operation of clause 9.16.5 in so far as it:

(1) applies to deem a revenue cap for the financial year commencing on 1 July 2004;

(2) specifies the basis on which prices for certain transmission services during the financial year commencing on 1 July 2004 are to be determined;

(3) specifies the manner in which clause 6.4.3C of the old Chapter 6 is to apply for the financial year commencing on 1 July 2005; and

(4) deems a revenue cap for the period commencing on 1 July 2004 until the end of 30 June 2009 to be for a period of five years.

11.6.3 Old Part C and Schedules 6.2, 6.3, 6.4, 6.7 and 6.8 of old Chapter 6
Subject to this rule 11.6 and rule 11.8, old Part C (including Schedules 6.2, 6.3, 6.4, 6.7 and 6.8) continues to apply for the duration of a current regulatory control period.
11.6.4 **Old Part F of Chapter 6**

Subject to this rule 11.6, old Part F of Chapter 6 continues to apply for the duration of a current regulatory control period.

11.6.5 **Application of new Chapter 6A to Transmission Network Service Providers**

Subject to this rule 11.6, a Transmission Network Service Provider is not required to submit a Revenue Proposal or a proposed negotiating framework to the AER under the new Chapter 6A until a date that is 13 months before the expiry of a current regulatory control period.

11.6.6 **Application of Chapter 6 to old distribution matters**

(a) The restructuring and renumbering of provisions of the old Chapter 6 by the Amending Rule 2006 does not affect:

1. distribution matters occurring or in existence before the commencement date; or

2. anything done or omitted to be done in respect of distribution matters before the commencement date.

(b) Without limiting paragraph (a), anything done or omitted to be done under a provision of the old Chapter 6 in respect of distribution matters before the commencement date is deemed to have been done or omitted to be done under the corresponding provision of that Chapter as restructured and renumbered by the Amending Rule 2006, as if that Rule had been in operation when the thing was done or omitted to be done.

11.6.7 **References to the old Chapter 6**

Unless the context otherwise requires, on and from the commencement date every reference to the old Chapter 6 in a document (however described) is deemed to be a reference to the renumbered Chapter 6 or the new Chapter 6A (as the case may be).

11.6.8 **References to provisions of the old Chapter 6**

Unless the context otherwise requires, on and from the commencement date every reference to a provision of the old Chapter 6 in a document (however described) is deemed to be a reference to the corresponding provision of the renumbered Chapter 6 or the corresponding provision (if any) of the new Chapter 6A (as the case may be).
11.6.9 Roll forward of regulatory asset base for first regulatory control period

In making a revenue determination for the first regulatory control period, the value of the regulatory asset base at the beginning of the first regulatory year of that period calculated in accordance with clause S6A.2.1(f), may be adjusted having regard to an existing revenue determination and any other arrangements agreed between the AER and the Transmission Network Service Provider.

11.6.10 Other adjustment carry-over mechanisms from current to first regulatory control period

The maximum allowed revenue that a Transmission Network Service Provider may earn in any regulatory year of the first regulatory control period may be adjusted for any carry-over mechanisms provided for in the relevant existing revenue determination and in any other arrangements agreed between the AER and the Transmission Network Service Provider for the purposes of, and in accordance with, the existing revenue determination.

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

Definitions

(a) In this clause 11.6.11:

eligible asset means:

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

(2) a replacement asset which is wholly and exclusively used after the commencement date by a Transmission Network Service Provider to continue providing a connection service to a Transmission Network User or a group of Transmission Network Users at a connection point, and excludes an existing asset or a replacement asset to the extent that it ceases to be used after the commencement date to provide a connection service to a Transmission Network User or a group of Transmission Network Users at a connection point.

existing asset means an asset that as at 9 February 2006:
(1) was used in connection with a transmission system where the value, or a portion of the value, of that asset was included in the regulatory asset base; or

(2) was committed to be constructed for use in connection with a transmission system where the forecast value or a portion of the forecast value was included in the forecast capital expenditure, for that transmission system under a revenue determination in force as at 9 February 2006.

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

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

(1) the relevant service is provided using eligible assets;

(2) the relevant service is being provided under a connection agreement which was first entered into before the commencement date (as extended or novated from time to time);

(3) the connection agreement has not been amended at the request of the Transmission Network User for the purposes of altering the relevant service; and

(4) the relevant service would not otherwise be a prescribed transmission service for the purposes of new Chapter 6A but for this clause 11.6.11.

replacement asset means:

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

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

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

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

Interaction with new Chapter 6A

(c) For the purposes of new Chapter 6A:

(1) the transmission system assets that, from time to time, may be treated as directly attributable to providing a prescribed connection service are limited to the eligible assets which, from time to time, provide the prescribed connection service;

(2) any costs:

   (i) in relation to an existing asset or a replacement asset (or any portion of an existing asset or a replacement asset), that is not an eligible asset (other than as a result of clause 11.6.11(d)); and

   (ii) which but for this clause 11.6.11 would be allocated under new Chapter 6A to connection services,

must instead be treated as costs that are directly attributable to the provision of, or are incurred in providing, prescribed TUOS services and, to avoid doubt, the services provided by those assets which would otherwise be negotiated transmission services are taken to be prescribed TUOS services; and

(3) the stand-alone amount for prescribed TUOS services is taken to include any portion of the costs referred to in clause 11.6.11(c)(2) that has not been allocated under clause 6A.23.2(d)(1).

Cessation of prescribed connection services

(d) If a connection service ceases to be a prescribed connection service at the start of a regulatory control period for the relevant Transmission Network Service Provider:

(1) the connection service is taken to be a negotiated transmission service;

(2) despite clause 6A.19.2(7), the costs which were allocated to the prescribed connection service may be reallocated to negotiated transmission services; and
(3) despite clause S6A.2.3, the value of the eligible assets which previously provided the prescribed connection service may be removed from the regulatory asset base of the *Transmission Network Service Provider*.

(a) References to *prescribed transmission services* in the new Chapter 6A include a service provided by an asset used in connection with, or committed to be constructed for use in connection with, a *transmission system* as at 9 February 2006:

(1) to the extent that the value of the asset is included in the regulatory asset base for that *transmission system* under an existing revenue determination in force at that time; or

(2) if the price for that service has not been negotiated under a negotiating framework established pursuant to old clause 6.5.9, and, but for this clause, that service would not otherwise be a *prescribed transmission service*.

(b) Where a service is a *prescribed transmission service* by virtue of the operation of this clause, that service is taken not to be a *negotiated transmission service*.

(c) For the purposes of this clause 11.6.11, 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*.

### 11.6.12 Powerlink transitional provisions

**Definitions**

(a) In this clause 11.6.12:

- *contingent project* means a project identified in the transitional revenue determination as a contingent project.

- *Powerlink* means the Queensland Electricity Transmission Corporation Limited (ACN 078 849 233), trading as Powerlink Queensland.

- *transitional regulatory control period* means the regulatory control period commencing on 1 July 2007 and ending on 30 June 2012.

- *transitional revenue determination* means a final revenue determination by the *AER* for the Powerlink transmission network, in respect of the transitional regulatory control period.
trigger means the unique investment driver identified in the transitional revenue determination as a trigger for a contingent project.

Scope and application

(b) This clause 11.6.12:

1. applies only in respect of the Powerlink transmission network and applies only until 30 June 2012; and
2. prevails, to the extent of any inconsistency, over any other clause in the Rules.

Transitional revenue determination

(c) Except as provided in this clause 11.6.12, and despite any changes to the old Chapter 6:

1. the old Chapter 6 continues to apply in respect of the AER setting the revenue cap for the transitional regulatory control period for the Powerlink transmission network; and
2. in setting the revenue cap for the transitional regulatory control period, the AER must substantially adhere to the Statement of Regulatory Principles including the ex ante approach to setting the revenue cap set out in the statement.

(d) The AER must calculate the weighted average cost of capital for the transitional regulatory control period, in accordance with the values, methodologies or benchmarks in the new Chapter 6A, in respect of the following items:

1. the nominal risk free rate including the maturity period and source of the benchmark;
2. the debt risk premium including the maturity period and source of the benchmark;
3. the equity beta;
4. the market risk premium; and
5. the ratio of the market value of debt as a proportion of the market value of equity and debt.

(e) In calculating the WACC for the transitional regulatory control period, the AER must use an average gamma of 0.5.

Contingent projects
(f) Where the trigger event identified in respect of a contingent project occurs prior to 30 June 2012, the AER must, in accordance with the transitional revenue determination:

(1) determine:

(i) the amount of capital and incremental operating expenditure for that contingent project for each remaining regulatory year of the transitional regulatory control period, which the AER considers is reasonably required for the purpose of undertaking the contingent project;

(ii) the likely commencement and completion dates for the contingent project;

(iii) the incremental revenue which is likely to be earned by Powerlink in each remaining regulatory year of the transitional regulatory control period as a result of the contingent project being undertaken; and

(iv) the maximum allowed revenue for each regulatory year in the remainder of the transitional regulatory control period by adding the incremental revenue for that regulatory year; and

(2) calculate the estimate referred to in subparagraph (1)(iii):

(i) on the basis of the rate of return for Powerlink for the transitional regulatory control period in accordance with the transitional revenue determination; and

(ii) consistently with the manner in which depreciation is calculated under the transitional revenue determination; and

(3) amend the transitional revenue determination to apply for the remainder of the transitional regulatory control period in accordance with paragraph (g).

(g) The AER may only vary the transitional revenue determination to the extent necessary:

(1) to adjust the forecast capital expenditure for the transitional regulatory control period to accommodate the amount of additional capital expenditure determined under paragraph (f)(1)(i);

(2) to adjust the forecast operating expenditure for the current regulatory control period to accommodate the amount of additional operating expenditure determined under paragraph (f)(1)(i); and
(3) to reflect the effect of any resultant increase in forecast capital expenditure and incremental operating expenditure on the maximum allowed revenue for each regulatory year in the remainder of the transitional regulatory control period.

(h) An application for approval of a contingent project may only be made if the intended date for commencing the contingent project is during the transitional regulatory control period.

(i) For the first regulatory control period after the transitional regulatory control period, the forecast of capital expenditure for that first regulatory control period must be determined by applying the provisions of clause 6A.6.7 of the new Chapter 6A, in respect of the capital expenditure for a contingent project, with such modifications as are necessary to properly apply clause 6A.6.7.

Cost pass-through

(j) For the duration of the transitional regulatory control period:

(1) subject to subparagraph (2), clause 6A.7.2 of the new Chapter 6A applies to a network support event under the transitional revenue determination;

(2) the process to apply to the calculation, presentation and approval of pass through resulting from a network support event is as set out in the transitional revenue determination; and

(3) in respect of any positive change event or negative change event, the new Chapter 6A applies, with any modifications that are necessary to apply the relevant provisions to the transitional revenue determination.

Roll forward of regulatory asset base

(k) For the avoidance of doubt, in making a revenue determination for the first regulatory control period after the transitional regulatory control period, the value of the regulatory asset base at the beginning of the first regulatory year of that period calculated in accordance with clause S6A.2.1(f), may be adjusted having regard to the transitional revenue determination and any other arrangements agreed between the AER and Powerlink.

Application of efficiency benefit sharing scheme

(l) The efficiency benefit sharing scheme in force under clause 6A.6.5 applies to Powerlink during the transitional regulatory control period.

Power to re-open transitional revenue determination
(m) Clause 6A.7.1 applies to the transitional revenue determination, and a reference in the clause to:

1. “revenue determination” is taken to be a reference to the transitional revenue determination;

2. “regulatory control period” is taken to be a reference to the transitional regulatory control period;

3. “contingent project” has the meaning referred to in paragraph (a); and

4. “X Factor” has the same meaning as in the transitional revenue determination.

(n) Subject to rule 11.8, old Part C (including Schedules 6.2, 6.3, 6.4, 6.7 and 6.8 of old Chapter 6) continues to apply for the duration of the transitional regulatory control period.

11.6.13 ElectraNet easements transitional provisions

(a) In this clause 11.6.13:

current regulatory control period means the regulatory control period for ElectraNet commencing on 1 January 2003 and ending on 30 June 2008.


easement means easements referred to in the Determination.

(b) Without limiting the operation of the new Chapter 6A, in establishing the opening regulatory asset base for ElectraNet for the regulatory control period subsequent to ElectraNet’s current regulatory control period, the AER may also consider adjustments to the regulatory asset base for ElectraNet that relate to easements, as agreed by letter dated 3 August 2004, between the ACCC and ElectraNet.

11.6.14 TransGrid contingent projects

(a) In this clause 11.6.14:

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

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

determined by the ACCC pursuant to clause 6.2.4(b) of the National Electricity Code.

**TransGrid** means the energy services corporation constituted under section 6A of the Energy Services Corporations Act 1995 (NSW) and specified in Part 1A of Schedule 1 to that Act.

(b) For the purposes of the application of clause 11.6.2(a) to the Determination, a reference to the old Chapter 6 is a reference to the old Chapter 6 as modified by rule 8A.1.

(c) For the first *regulatory control period* after the current regulatory control period, the forecast of capital expenditure for TransGrid for that first *regulatory control period* must be determined by applying the provisions of clause 6A.6.7 in respect of the capital expenditure for a contingent project, with such modifications as are necessary to properly apply clause 6A.6.7.

### 11.6.15 Transmission determination includes existing revenue determinations

The definition of a *transmission determination* may, where the context so requires, include a determination (or substituted determination) made, or deemed to be made, by the AER or the ACCC prior to the commencement date.

### 11.6.16 References to regulatory control period

A reference to a *regulatory control period* may, where the context so requires, include a period during which a revenue cap applied by virtue of a determination (or substituted determination) made, or deemed to be made, by the AER or the ACCC prior to the commencement date.

### 11.6.17 Consultation procedure for first proposed guidelines

(a) In this clause 11.6.17:

*guideline* means:

1. the *post-tax revenue model* referred to in rule 6A.5.2;
2. the *roll forward model* referred to in rule 6A.6.1;
3. an *efficiency benefit sharing scheme* referred to in rule 6A.6.5;
4. a *service target performance incentive scheme* referred to in rule 6A.7.4;
5. *submission guidelines* referred to in rule 6A.10.2; and
(b) The AER must develop and publish the first proposed guidelines on or before 31 January 2007, and may carry out consultation in the preparation of those proposed guidelines as the AER considers appropriate.

(c) Each proposed guideline must be published in accordance with the requirements of rule 6A.20(b), including an explanatory statement and an invitation for written submissions.

(d) The invitation for written submissions for the proposed guidelines must allow no less than 60 business days for the making of submissions.

(e) The AER may publish papers and hold conferences or information sessions in relation to the proposed guidelines as provided by rule 6A.20(d).

(f) Rule 6A.20(e)-(f) applies to the publication of the final decision of the AER in relation to the first guidelines, which must be published under rule 6A.20 on or before 30 September 2007.

11.6.18 Reliance on proposed guidelines for SP AusNet, VENCorp and ElectraNet

(a) In this clause 11.6.18:

 guideline has the same meaning as in clause 11.6.17.

 proposed guideline means a proposed guideline published under clause 11.6.17.

 relevant provider means SP AusNet, VENCorp or ElectraNet.

 2008 determination means a transmission determination to be made in 2008 for a relevant provider.

(b) For the purposes of making a 2008 determination for the regulatory control period to be covered by a 2008 determination, anything that must be done in accordance with a guideline must instead be done in accordance with the corresponding proposed guideline.

(c) Unless sooner revoked, a proposed guideline ceases to have effect in relation to a relevant provider at the end of the regulatory control period covered by a 2008 determination applying to the provider. For the avoidance doubt, a proposed guideline does not apply to or in respect of the making of a subsequent transmission determination.

(d) For the purposes of making a 2008 determination for the regulatory control period to be covered by a 2008 determination, a relevant provider is taken to have complied with a requirement to comply with a Cost Allocation Methodology under the new Chapter 6A if the AER is satisfied that the relevant provider has complied with the relevant proposed guideline for cost
allocation referred to in clause 11.6.17(a)(6), but only until the AER has approved a Cost Allocation Methodology for that provider under clause 6A.19.4.

11.6.19 EnergyAustralia transitional provisions

(a) In this clause 11.6.19:

contingent project means a project approved by the ACCC and identified in the Determination as a contingent project.

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

Determination means the “Final Decision, NSW and ACT Transmission Network Revenue Cap EnergyAustralia 2004-05 to 2008-09”.

EnergyAustralia means the energy services corporation constituted under section 7 of the Energy Services Corporations Act 1995 (NSW) and specified in Part 2 of Schedule 1 to that Act.

maximum allowed revenue means the maximum allowed revenue in the Determination.

trigger event means an event identified as a trigger in Appendix A of the Determination in respect of a contingent project.

triggered contingent project means the contingent project referred to in Appendix A of the Determination as “A.1 Replacement of Feeders 908/909”.

Application of Chapter 6A to Determination

(b) Subject to paragraph (c), clauses 6A.7.1, 6A.7.2 and 6A.7.3 apply to the Determination from the commencement date.

(c) In applying clause 6A.7.1 to the Determination, a reference in the clause to:

(1) “revenue determination” is taken to be a reference to the Determination;

(2) “regulatory control period” is taken to be a reference to the current regulatory control period;

(3) “contingent project” has the meaning referred to in paragraph (a); and

(4) “X Factor” has the same meaning as in the Determination.

Treatment of contingent projects
(d) Where the trigger event identified in respect of a contingent project occurs prior to 1 July 2009, the AER must, in accordance with the Determination:

(1) determine:

(i) the total capital expenditure which the AER considers is reasonably required for the purpose of undertaking the contingent project including any amount for forecast capital expenditure already included in the Determination in respect of the triggered contingent project;

(ii) the forecast capital and incremental operating expenditure for that contingent project (in addition to any amount for forecast capital expenditure already included in the Determination in respect of the triggered contingent project) for each remaining regulatory year of the current regulatory control period, which the AER considers is reasonably required for the purpose of undertaking the contingent project in accordance with Appendix A of the Determination;

(iii) the likely commencement and completion dates for the contingent project;

(iv) the incremental revenue which is likely to be earned by EnergyAustralia in each remaining regulatory year of the current regulatory control period as a result of the contingent project being undertaken; and

(v) the maximum allowed revenue for each regulatory year in the remainder of the current regulatory control period by adding the incremental revenue for that regulatory year;

(2) calculate the estimate referred to in subparagraph (1)(iv) in accordance with the Determination, including:

(i) on the basis of the rate of return for EnergyAustralia for the current regulatory control period; and

(ii) consistently with the manner in which depreciation is calculated under the Determination; and

(3) vary the Determination to apply for the remainder of the current regulatory control period in accordance with paragraph (e).

(e) The AER may only vary the Determination to the extent necessary:

(1) to adjust the forecast capital expenditure for the current regulatory control period to accommodate the amount of additional capital expenditure determined under paragraph (d)(1)(ii); and
(2) to adjust the forecast operating expenditure for the current regulatory control period to accommodate the amount of additional operating expenditure determined under paragraph (d)(1)(ii); and

(3) to reflect the effect of any resultant increase in forecast capital expenditure and incremental operating expenditure on the maximum allowed revenue for each regulatory year in the remainder of the current regulatory control period.

(f) The intended date for commencing the contingent project must be during the current regulatory control period.

(g) For the first regulatory control period after the current regulatory control period, the forecast of capital expenditure for EnergyAustralia for that first regulatory control period must be determined by applying the provisions of clause 6A.6.7 in respect of the capital expenditure for a contingent project, with such modifications as are necessary to properly apply clause 6A.6.7.

11.6.20 Basslink transitional provisions

Definitions

(a) In this clause 11.6.20:

Basslink has the meaning provided in the Electricity Supply Industry Act 1995 of Tasmania, and means the interconnection between the electricity grids of the States of Tasmania and Victoria by means of:

(1) a high voltage, direct current, submarine cable across Bass Strait;

(2) converter stations in those States;

(3) direct current connecting lines to those converter stations;

(4) alternating current transmission connections to the transmission networks of those States; and

(5) related infrastructure.

previous regulatory approach means the methodologies, objectives and principles for determination of a regulatory asset base applied in the previous regulatory determinations.

previous regulatory determinations means the decision (including the reasons for decision) made under clause 2.5.2(c) of the National Electricity Code or clause 2.5.2(c) of the Rules (as the case may be):
(1) by the ACCC, entitled the “Murraylink Transmission Company Application for Conversion and Maximum Allowable Revenue” dated 1 October 2003; and

(2) by the AER, entitled “Directlink Joint Ventures’ Application for Conversion and Revenue Cap” dated 3 March 2006.

Application

(b) Where, after the commencement date, a service provided by means of, or in connection with, the Basslink transmission system ceases to be classified as a market network service:

(1) paragraph (c) applies to that service to the exclusion of clause 2.5.2(c); and

(2) paragraphs (d),(e),(f) and (g) apply to that service to the exclusion of clause S6A.2.1(e)(1) and (2).

(c) If, after the commencement date, a network service provided by means of, or in connection with, the Basslink transmission system ceases to be classified as a market network service, it may at the discretion of the AER be determined to be a prescribed transmission service, in which case the relevant total revenue cap may be adjusted in accordance with Chapter 6A and this clause 11.6.20 to include to an appropriate extent the relevant network elements which provide those network services.

(d) Where services are determined to be prescribed transmission services as referred to in paragraph (c), the value of the regulatory asset base, as at the beginning of the first regulatory year of the first regulatory control period for which those prescribed transmission services are to be regulated under a revenue determination, is the amount that is determined by the AER in accordance with paragraphs (e), (f) and (g).

(e) Subject to paragraph (f), the AER must determine the value of the regulatory asset base for the Basslink transmission system for the purposes of paragraph (d) by applying the previous regulatory approach to the circumstances of that transmission system.

(f) In the event of an inconsistency between the previous regulatory approach adopted in each of the previous regulatory determinations, the approach adopted in a decision of the AER regarding the Directlink transmission system prevails over the approach adopted in the decision of the ACCC regarding the Murraylink transmission system to the extent of the inconsistency.

(g) Without limiting paragraph (e), the AER must, when exercising any discretion in relation to the application of paragraph (e) above:
(1) have regard to the prudent and efficient value of the assets that are used by the relevant Transmission Network Service Provider to provide those prescribed transmission services (but only to the extent that those assets are used to provide such services); and

(2) for this purpose, determine that value having regard to the matters referred to in clause S6A.2.2.

11.6.21 SPI Powernet savings and transitional provision

Definitions

(a) In this clause 11.6.21:

- **easements tax change event** means a change in the amount of land tax that is payable by SPI PowerNet in respect of the easements which are used for the purposes of SPI PowerNet’s transmission network where that change results in SPI PowerNet incurring higher or lower costs in providing prescribed transmission services than it would have incurred but for that event. For these purposes the change in the amount of land tax that is payable by SPI PowerNet must be calculated by applying the relevant land tax rate to the difference between:

  (1) the value of the easements which is used for the purposes of assessing the land tax that is payable; and

  (2) the value of the easements which is assumed for the purposes of the revenue determination for the regulatory control period,

and an easements tax change event does not include an event described in paragraphs (a), (b) or (c) of the definition of tax change event.

- **Regulated owner** and **SPI PowerNet** both have the meaning provided in clause 9.3.1(2) of the Rules.

Transition to new Chapter 6A: existing prescribed transmission services

(b) Notwithstanding clause 11.5.11, references to prescribed transmission services in the new Chapter 6A include a service provided by an asset used in connection with, or committed to be constructed for use in connection with, a transmission system as at 9 February 2006, where that asset is the subject of an agreement between SPI PowerNet and any of:

(1) VENCorp;

(2) a Distributor;

(3) a Regulated owner;
(4) a Generator; or

(5) a Market Network Service Provider,

and:

(6) the agreement provides or contemplates that following an interim period the relevant asset will become subject to regulation under a revenue determination applicable to SPI PowerNet; and

(7) in the case of an agreement with a Generator or a Market Network Service Provider, the service the subject of the agreement is for connection assets provided on a non-contestable basis.

Method of adjustment of value of regulatory asset base

(c) For the avoidance of doubt, in adjusting the previous value of the regulatory asset base for SPI PowerNet’s transmission system as required by clause S6A.2.1(f), the previous value of the regulatory asset base must be increased by the amount of capital expenditure specified in, or that forms the basis of, agreements pursuant to which SPI PowerNet constructed assets during the previous regulatory control period used to provide prescribed transmission services, adjusted for outturn inflation and depreciation in accordance with the terms of those agreements.

(d) For the purposes of a revenue determination for SPI PowerNet (including but not limited to, a 2008 determination as defined in clause 11.6.18(a)), a pass through event includes an easements tax change event.

11.6.22 Interim arrangements pricing-related information

(a) Clause 6.2.5(a1) as in force immediately before the commencement date continues to apply during the current regulatory control period.

(b) The information guidelines may, in addition to the matter referred to in clause 6A.17.2(e), require the inclusion in the certified annual statements of:

(1) information on the amount of each instance, during the relevant reporting period, of any reduction in the prices payable by a Transmission Customer for prescribed transmission services provided by the Transmission Network Service Provider;

(2) information on each instance, during the relevant reporting period, of a reduction in the prices payable by a Transmission Customer for prescribed transmission use of system services or prescribed common transmission services (or both) that were recovered from other Transmission Customers for prescribed transmission use of system services or prescribed common transmission services; and
(3) 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 subparagraphs (2) or (3) is confidential information.

Part F Reform of Regulatory Test Principles (2006 amendments)

11.7 Rules consequent on making of the National Electricity Amendment (Reform of the Regulatory Test Principles) Rule 2006 No.19

11.7.1 Definitions

For the purposes of this rule 11.7:

Amending Rule means the National Electricity Amendment (Reform of the Regulatory Test Principles) Rule 2006 No.19.

commencement date means the date on which the Amending Rule commences operation.

current application means any action taken or process commenced under the Rules, which relies on or is referenced to, the regulatory test, and is not completed as at the commencement date.

new clause 5.6.5A means clause 5.6.5A of the Rules as in force immediately after the commencement of the Amending Rule.

old clause 5.6.5A means clause 5.6.5A of the Rules as in force immediately before the commencement of the Amending Rule.

transitional application means any action taken or process commenced under the Rules, which relies on or is referenced to, the regulatory test and is not completed on 31 December 2007, or the date on which amendments (if any) to the regulatory test commence, whichever is the earlier.

11.7.2 Amending Rule does not affect old clause 5.6.5A

(a) On the commencement date, the regulatory test promulgated by the AER in accordance with the old clause 5.6.5A and in effect immediately before the commencement date, continues in effect and is taken to be consistent with the new clause 5.6.5A until 31 December 2007.

(b) Old clause 5.6.5A, and the regulatory test promulgated under that clause 5.6.5A, continues to apply to and in respect of, any current application and any transitional application.
Part G Pricing of Prescribed Transmission Services (2006 amendments)

11.8 Rules consequent on making the National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006

11.8.1 Definitions

Subject to this rule 11.8, in this rule 11.8:

agreed interim requirements means interim requirements that are equivalent to the requirements of the pricing methodology guidelines referred to in rule 6A.25 and have been developed in consultation with the relevant providers for the purposes of a proposed 2008 pricing methodology.

ElectraNet means ElectraNet Pty Ltd ACN 094 482 416 trading as ElectraNet.

existing assets means transmission system assets in existence as at 24 August 2006.

previous regulatory determinations means the decision (including the reasons for decision) made under clause 2.5.2(c) of the National Electricity Code or clause 2.5.2(c) of the Rules (as the case may be):

(1) by the ACCC, entitled the “Murraylink Transmission Company Application for Conversion and Maximum Allowable Revenue” dated 1 October 2003; and

(2) by the AER, entitled “Directlink Joint Ventures’ Application for Conversion and Revenue Cap” dated 3 March 2006.

Pricing Rule commencement date means the date on which the National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 commences operation.

relevant provider means SPAusNet, ElectraNet or VENCorp.

SPAusNet means SPI PowerNet Pty Ltd ACN 079 798 173.

2008 pricing methodology means a pricing methodology to be made in 2008 for a relevant provider.

VENCorp means the Victorian Energy Networks Corporation established under the Gas Industry Act 1994(Vic) and continued under the Gas Industry Act 2001(Vic).
11.8.2 Regulated interconnectors

(a) All interconnectors that formed part of the power system in the participating jurisdictions as at 31 December 1997 continue to be taken to be regulated interconnectors.

(b) All interconnectors that ceased to be classified as a market network service by a previous regulatory determination made before 28 December 2006 are taken to be regulated interconnectors.

(c) All interconnectors that, by a decision made after 28 December 2006 under clause 2.5.2(c) of the Rules cease to be classified as a market network service are taken to be regulated interconnectors.

11.8.3 Application of new Part J of Chapter 6A to Transmission Network Service Providers

(a) Subject to this rule 11.8, a Transmission Network Service Provider is not required to submit a proposed pricing methodology to the AER under the new Part J of Chapter 6A until a date that is 13 months before the expiry of a current regulatory control period.

(b) For the purposes of this clause 11.8.3, the transitional regulatory control period referred to in rule 11.6.12 (a) for Powerlink is taken to be the current regulatory control period.

11.8.4 Reliance on agreed interim guideline for ElectraNet, SPAusNet, and VenCorp

For the purpose of making a 2008 pricing methodology, anything that must be done in accordance with the pricing methodology guidelines must instead be done in accordance with the agreed interim requirements.

11.8.5 Prudent discounts under existing agreements

(a) A Transmission Network Service Provider may continue to recover discounts arising as a result of agreements that were entered into prior to 10 October 2001 so long as the agreement remains in effect and its terms are not renegotiated.

(b) A Transmission Network Service Provider may continue to recover discounts arising as a result of agreements that were entered into prior to 28 December 2006 so long as the agreement remains in effect and its terms are not renegotiated.

(c) The AER is not required to re-approve discounts arising under paragraphs (a) or (b) that were approved prior to 28 December 2006, and any approval for the recovery of such discounts is valid so long as the agreement between
11.8.6 **Application of prudent discounts regime under rule 6A.26**

(a) Despite clause 11.6.3, a Transmission Network Service Provider may apply rule 6A.26 during a current regulatory control period (as defined in clause 11.6.1).

(b) Where a Transmission Network Service Provider applies to the AER under clause 6A.26.2 for approval to recover a proposed recovery amount in circumstances where paragraph (a) applies, the AER must make a determination in accordance with clause 6A.26.2 notwithstanding that there is no approved pricing methodology for that provider.

11.8.7 **Prudent discounts pending approval of pricing methodology**

(a) This clause 11.8.7 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; and

3. a Transmission Customer requests the provider to charge lower prices for prescribed TUOS services or prescribed common transmission services than the prices determined in accordance with the provider’s pricing methodology as referred to in clause 6A.26.1(d).

(b) Despite clause 6A.26.1, a Transmission Network Service Provider may agree to charge lower prices for prescribed TUOS services or prescribed common transmission services than the prices determined as referred to in clause 6A.26.1(d) 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; or

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); or

3. if there is no a 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) Where a *Transmission Network Service Provider* applies to the *AER* under clause 6A.26.2 for approval to recover a proposed recovery amount in circumstances where paragraphs (a) and (b) apply, the *AER* must make a determination in accordance with clause 6A.26.2 notwithstanding that the reduced charges were agreed before a *pricing methodology* was approved.

(d) The subsequent approval by the *AER* of a *pricing methodology* for a *Transmission Network Service Provider* does not require the provider to adjust, reverse or recompense any amounts to *Transmission Customers* in connection with charges for services established pursuant to this clause 11.8.7.

**Part H Reallocations (2007 amendments)**

**11.9 Rules consequent on the making of the National Electricity Amendment (Reallocations) Rule 2007**

**11.9.1 Definitions**

For the purposes of this rule 11.9:

*Amending Rule* means the National Electricity Amendment (Reallocations) Rule 2007.

*commencement date* means the day on which the Amending Rule commences operation.

*existing reallocation* means a *reallocation* in place immediately before the commencement date.

*new reallocation* means a *reallocation* undertaken in accordance with the *Rules* after the date of *publication* of the *reallocation procedures* under clause 3.15.11A(d).

*transitional reallocation* means a *reallocation* in place immediately after the commencement date but prior to the date of *publication* of the *reallocation procedures* by *NEMMCO* under clause 3.15.11A(d).

**11.9.2 Existing and transitional reallocations**

(a) Subject to paragraph (c), an existing reallocation is to be treated as if the Amending Rule had not been made.

(b) Subject to paragraph (c), a transitional reallocation is to be treated as if the Amending Rule had not been made.
(c) A Market Participant who is a party to an existing reallocation or a transitional reallocation may elect to have the reallocation treated as a new reallocation if the participant obtains the agreement of the Market Participant who is the other party to the reallocation.

Part I Technical Standards for Wind Generation (2007 amendments)

11.10 Rules consequent on making of the National Electricity Amendment (Technical Standards for Wind Generation and other Generator Connections) Rule 2007

11.10.1 Definitions

Subject to this rule 11.10, in this rule 11.10:


commencement date means the date on which the Amending Rule commences operation.

new Chapter 5 means Chapter 5 of the Rules in force immediately after the commencement date.

old Chapter 5 means Chapter 5 of the Rules in force immediately prior to the commencement date.

11.10.2 Provision of information under S5.2.4 in registration application

(a) Any requirements in the Amending Rule that require a person who is applying to be a Registered Participant to submit information in relation to clause S5.2.4 for the purposes of clause 2.9.2 does not apply to any person who has, in accordance with clause 2.9.1:

(1) submitted an application to be registered as a Registered Participant;

(2) commenced a process for submitting further information in relation to the application referred to in subparagraph (1); or

(3) has submitted further information in relation to the application referred to in subparagraph (1),

and, at the commencement date, has not been registered by NEMMCO in accordance with clause 2.9.2 as a Registered Participant.

(b) A person registered in accordance with this clause 11.10.2:
(1) subject to subparagraph (2), is taken to be registered in accordance with the requirements of the Rules as amended by the Amending Rule; and

(2) must submit all information required under clause S5.2.4 within six months of the commencement date.

11.10.3 Access standards made under the old Chapter 5

(a) Any automatic access standard or negotiated access standard that applied to a generating unit or generating system under the old Chapter 5 continues to apply to that system or unit as if the Amending Rule had not been made.

(b) Unless a Generator and a Network Service Provider otherwise agree, a negotiated access standard that is the subject of a negotiating process as at the commencement date, is to be negotiated in accordance with the old Chapter 5, as if the Amending Rule had not been made.

11.10.4 Modifications to plant by Generators

Unless the Generator and the relevant Network Service Provider otherwise agree, a Generator who at the commencement date has proposed to modify a plant and has commenced negotiations with a Network Service Provider under the old Chapter 5 is to continue the negotiating process in accordance with the old Chapter 5 as if the Amending Rule had not been made.

11.10.5 Technical Details to Support Application for Connection and Connection Agreement

(a) Subject to paragraphs (b) and (c), any decision or action taken by NEMMCO for the purpose of developing and publishing an initial Generating System Design Data Sheet, an initial Generating System Setting Data Sheet and initial Generating System Model Guidelines under clause S5.5.7 prior to the commencement date has continuing effect as if the decision had been made or the action had been taken under the Amending Rule.

(b) Pending the final publication of the Generating System Design Data Sheet and the Generating System Setting Data Sheet under clause S5.5.7:

(1) schedule 5.5.1 of the Rules as in force immediately before the commencement date is taken to be the interim Generating System Design Data Sheet; and

(2) schedule 5.5.2 of the Rules as in force immediately before the commencement date is taken to be the interim Generating System Setting Data Sheet.
11.10.6 Transitional arrangements for establishment of performance standards

For the purposes of the definition of performance requirement in clause 4.16.1, clauses S5.2.8 and S5.2.9 of the old Chapter 5 applies as if the Amending Rule had not been made.

11.10.7 Jurisdictional Derogations for Queensland

(a) For the purposes of clause 9.37.12, clause S5.2.5.2(c) of the old Chapter 5 applies as if the Amending Rule had not been made.

(b) For the purposes of clause 9.37.21, clause S5.2.5.13 of the old Chapter 5 applies as if the Amending Rule had not been made.

11.10A Rules consequent on the making of the National Electricity Amendment (Central Dispatch and Integration of Wind and Other Intermittent Generation) Rule 2008

11.10A.1 Definitions

In this rule 11.10A:

Amending Rule means the National Electricity Amendment (Central Dispatch and Integration of Wind and Other Intermittent Generation) Rule 2008.

classified generating unit means a non-scheduled generating unit or scheduled generating unit immediately before the registration date that could be classified as a semi-scheduled generating unit immediately after the registration date.

commencement date means the date on which Schedule 2 of the Amending Rule commences operation.

committed project means a project that NEMMCO considers has been fully committed by the project proponent taking into account the following factors:

(a) the project proponent's rights to land for the construction of the project;

(b) whether contracts for the supply and construction of the project’s major plant or equipment, including contract provisions for project cancellation payments, have been executed;
(c) the status of all planning and construction approvals and licences necessary for the commencement of construction of the project, including completed and approved environmental impact statements;

(d) the level of commitment to financing arrangements for the project; and

(e) whether project construction has commenced or a firm date has been set for it to commence.

**initial ECM guidelines** has the meaning given in clause 11.10A.8.

**potential semi-scheduled generating unit** means a *generating unit* that, at the time of registration of that unit under Chapter 2, could have been classified as a *semi-scheduled generating unit* in accordance with clause 2.2.7 and:

(a) is listed in “Table 4.22: Committed NEM Wind Farms” of the 2007 *statement of opportunities*; or

(b) is considered by NEMMCO to be a committed project as at 1 January 2008, and, for the avoidance of doubt, does not include a classified generating unit.

**registered generating unit** means a *generating unit* which has had its classification as a *semi-scheduled generating unit* approved by NEMMCO on or after the registration date and before the commencement date.

**registration date** means the date on which Schedule 1 of the Amending Rule commences operation.

### 11.10A.2 Registration and reclassification of classified generating units

(a) On and after the registration date, a *Non-Scheduled Generator* or *Scheduled Generator* with a classified generating unit will not be required to register as a *Semi-Scheduled Generator* and reclassify the classified generating unit as a *semi-scheduled generating unit*.

(b) For a period of 2 years after the commencement date, a *Generator* who:

(1) as at the commencement date has classified generating units; and

(2) subsequently reclassifies those generating units as *semi-scheduled generating units*,

is not required to pay *Participant fees* in accordance with rule 2.11.

(c) Classified generating units that are reclassified as *semi-scheduled generating units* after the registration date but prior to the commencement date are taken to be *non-scheduled generating units* or *scheduled generating units* (as the case may be) until the commencement date.
11.10A.3 Registered generating unit

(a) Subject to paragraph (b) and clause 11.10A.4, until the commencement date, a registered generating unit is taken to be a non-scheduled generating unit for the purposes of the Rules.

(b) A registered generating unit must meet the technical requirements for a semi-scheduled generating unit in schedule 5.2.

(c) A registered generating unit that:

(1) prior to the registration date is classified as a scheduled generating unit; and

(2) on or after the registration date but prior to the commencement date is reclassified as a semi-scheduled generating unit,

is taken to continue to be a scheduled generating unit until the commencement date.

11.10A.4 Classification of potential semi-scheduled generating unit

(a) On and after the registration date, a person may apply to NEMMCO to classify a potential semi-scheduled generating unit as:

(1) a scheduled generating unit in accordance with clause 2.2.2; or

(2) a non-scheduled generating unit in accordance with clause 2.2.3.

(b) NEMMCO must treat an application received under paragraph (a) as:

(1) in the case of an application referred to paragraph (a)(1), as an application to be classified as a scheduled generating unit; or

(2) in the case of an application referred to in paragraph (a)(2), as an application to be classified as a non-scheduled generating unit.

(c) In assessing an application referred to in paragraph (a)(2), NEMMCO must approve the classification if NEMMCO is satisfied that the output of the generating unit is intermittent even where the generating unit does not meet the requirements of clause 2.2.3(b)(1) or (2).

(d) If an application for classification of a potential semi-scheduled generating unit made under this clause 11.10A.4 is approved by NEMMCO in accordance with clause 2.2.2 or, subject to paragraph (c), clause 2.2.3, the relevant unit is taken to be a scheduled generating unit or non-scheduled generating unit (as the case may be) for the purposes of the Rules.
11.10A.5 Participant fees

Until NEMMCO determines a structure of Participant fees under rule 2.11 which provides for Semi-Scheduled Generators, references to Scheduled Generators in NEMMCO’s “Structure of Participant Fees under rule 2.11 of the National Electricity Rules” publication dated 24 March 2006, will be taken to include Semi-Scheduled Generators.

11.10A.6 Timetable

(a) NEMMCO must amend the timetable in accordance with clause 3.4.3(b) to take into account the Amending Rule with those amendments to take effect from the commencement date.

(b) All actions taken by NEMMCO prior to the commencement date in anticipation of the commencement date to amend the timetable as required under paragraph (a) are taken to satisfy the equivalent action required under clause 3.4.3(b).

11.10A.7 Procedure for contribution factors for ancillary service transactions

(a) NEMMCO must amend the procedure prepared by NEMMCO under clause 3.15.6A(k) in accordance with clause 3.15.6A(m) to take into account the Amending Rule with those amendments to take effect from the commencement date.

(b) All actions taken by NEMMCO prior to the commencement date in anticipation of the commencement date to amend the procedure prepared by NEMMCO under clause 3.15.6A(k) as required under paragraph (a) are taken to satisfy the equivalent action under clause 3.15.6A(m).

11.10A.8 Guidelines for energy conversion model information

(a) Subject to paragraph (b), for the purposes of clause 2.2.7(d) NEMMCO must publish guidelines by no later than the registration date setting out the information to be contained in energy conversion models (the initial ECM guidelines).

(b) The initial ECM guidelines do not need to be prepared in consultation with Semi-Scheduled Generators. NEMMCO must replace the initial ECM guidelines as soon as reasonably practicable with guidelines described in clause 2.2.7(d) which have been prepared in consultation with Semi-Scheduled Generators and such other person that NEMMCO, acting reasonably, considers appropriate.
Part L Abolition of Snowy Region (2007 amendments)

11.13 Rules consequent on making the National Electricity Amendment (Abolition of Snowy Region) Rule 2007

11.13.1 Definitions

In this rule 11.13:


current Regions Publication means the document published by NEMMCO entitled “List of Regional Boundaries and Marginal Loss Factors for the 2007/08 Financial Year”.


implementation period means the period specified in clause 11.13.4.

implementation plan means the plan referred to in clause 11.13.5.

implementation function means a function referred to in clause 11.13.6.

Loss Factors Publication means the document published by NEMMCO from time to time under clauses 3.6.1(f) and 3.6.2(f1) which sets out marginal loss factors.

modified regions means the regions identified as the New South Wales region and the Victoria region in the current Regions Publication, modified as a result of the abolition of the Snowy region under the Amending Rule 2007 taking effect.

new regions means the unmodified regions and the modified regions.

New South Wales region, Snowy region and Victoria region each have the same meaning as in clause 3.5.6.

old regions means the regions identified in the current Regions Publication.

Rule commencement date means the date on which the Amending Rule 2007 commences operation.

unmodified regions means the regions known as the Queensland region, the South Australia region and the Tasmania region as identified in the current Regions Publication, the boundaries of which are not affected by the abolition of the Snowy region under the Amending Rule 2007.
11.13.2 Purpose of rule 11.13

The purpose of this rule 11.13 is to enable the efficient and effective implementation of a change of region boundaries as a result of the abolition of the Snowy region during the implementation period, prior to the start of the new regions, and to support a smooth transition from the old regions to the new regions.

11.13.3 Application of rule 11.13

This rule 11.13 applies despite any other provision of the Rules (including any guideline or procedure made under the Rules), and to the extent of any inconsistency, this rule 11.13 prevails during the implementation period.

11.13.4 Implementation period

(a) The implementation period starts on the Rule commencement date and ends on 15 July 2008.

(b) Any decision made or action taken by NEMMCO for the purpose of implementing the abolition of the Snowy region between the Draft Determination date and the Rule commencement date, has continuing effect as if the decision had been made or the action had been taken under the Rules as amended by the Amending Rule 2007.

11.13.5 Publishing of implementation plan by NEMMCO

(a) NEMMCO must develop and publish by 15 September 2007 an implementation plan that identifies the key implementation steps to be taken during the implementation period, including the proposed exercise by NEMMCO of the implementation functions.

(b) NEMMCO may, during the implementation period, amend the implementation plan as necessary, and must publish the amended plan.

11.13.6 NEMMCO implementation functions

(a) Subject to this rule 11.13, NEMMCO has, during the implementation period, the following functions and powers (‘the implementation functions’):

(1) the power to make a decision or take any action (including the power to refrain from making a decision or taking action) that is necessary or consequential to the implementation of the Amending Rule 2007; and

(2) the other functions and powers specified under this rule 11.13.

(b) The exercise of the implementation functions by NEMMCO must be referable to and consistent with the implementation plan as published.
11.13.7 Software modifications to implement abolition of Snowy region

Despite clause 3.17.1 and subject to this clause 11.13.7, NEMMCO:

(1) may, as an implementation function, alter, reconfigure, reprogram or otherwise modify or enhance any computer software required for the operation of the market; and

(2) must, to the extent practicable, adhere to the procedures for change management under the document entitled “NEM Systems IT Procedure Manual: Change Management” and NEMMCO may make the changes under paragraph (1) without authorisation by the AER even if NEMMCO does not fully adhere to that document.

11.13.8 Allocation of transmission connection points as a result of abolition of Snowy region

Each transmission network connection point previously assigned to the Snowy region as at the Rule commencement date is allocated to the New South Wales region and the Victoria region as follows:

 Loads

<table>
<thead>
<tr>
<th>Location</th>
<th>Voltage kV</th>
<th>TNI code</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khancoban</td>
<td>330</td>
<td>NKHN</td>
<td>Victoria</td>
</tr>
</tbody>
</table>

 Generation

<table>
<thead>
<tr>
<th>Location</th>
<th>Voltage kV</th>
<th>Connection point ID</th>
<th>TNI code</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jindabyne pump at Guthega</td>
<td>132</td>
<td>NGJP</td>
<td>NGJP</td>
<td>Victoria</td>
</tr>
<tr>
<td>Guthega</td>
<td>132</td>
<td>NGUT</td>
<td>NGUT</td>
<td>NSW</td>
</tr>
<tr>
<td>Guthega Ancillary Services 2</td>
<td>132</td>
<td>NGUT2</td>
<td>NGUT</td>
<td>NSW</td>
</tr>
<tr>
<td>Guthega</td>
<td>132</td>
<td>NGUT8</td>
<td>NGUT</td>
<td>NSW</td>
</tr>
<tr>
<td>Lower Tumut</td>
<td>330</td>
<td>NLTS</td>
<td>NLTS</td>
<td>NSW</td>
</tr>
<tr>
<td>Lower Tumut Ancillary Services 2 (pumps)</td>
<td>330</td>
<td>NLTS3</td>
<td>NLTS</td>
<td>NSW</td>
</tr>
<tr>
<td>Lower Tumut Ancillary Services 3</td>
<td>330</td>
<td>NLTS5</td>
<td>NLTS</td>
<td>NSW</td>
</tr>
<tr>
<td>Lower Tumut</td>
<td>330</td>
<td>NLTS8</td>
<td>NLTS</td>
<td>NSW</td>
</tr>
</tbody>
</table>
### Location of region boundaries

The location of the region boundary between the New South Wales region and the Victoria region as a result of the abolition of the Snowy region is as follows:

1. at Red Cliffs Terminal Station on the 0X1 Red Cliffs to Buronga 220 Transmission Line;
2. at Wodonga Terminal Station on the 060 Wodonga to Jindera 330 Transmission Line;
3. at Murray Switching Station on the 066 Murray to Lower Tumut 330 Transmission Line;
4. at Murray Switching Station on the 065 Murray to Upper Tumut 330 Transmission Line;
5. at the Guthega 132kV Switchyard 132kV Bus No 2-3 bus Section Disconnector 4128.
11.13.10 2008/09 Regions Publication and Loss Factors Publication

(a) *NEMMCO* must, as an implementation function, review and publish by 1 April 2008:

(1) the 2008/09 Regions Publication; and

(2) the 2008/09 Loss Factors Publication,

making any changes necessary in accordance with the *Amending Rule 2007*, including but not limited to the allocation of transmission network connection points under clause 11.13.8 and the location of region boundaries under clause 11.13.9.

(b) In relation to the publications referred to in paragraph (a) (or subsequent annual Regions Publications or Loss Factors Publications), nothing prevents *NEMMCO*:

(1) amending those publications to implement:

   (i) the *Amending Rule 2007* or future region boundary changes under the *Rules*;

   (ii) future physical changes to the transmission network; or

   (iii) changes in the configuration of connection points requested by Registered Participants for the purposes of participation in the NEM; or

(2) publishing the annual Regions Publication and the Loss Factors Publication in a single document.

11.13.11 Reserve margin calculations

*NEMMCO* may, as an implementation function, determine estimates of the minimum reserve levels to be applied to the modified regions provided that the process used to determine the estimates is published.

11.13.12 Re-calculation of network constraints and transmission loss factors

(a) A *Transmission Network Service Provider* must, to the extent practicable, provide to *NEMMCO* on request information for or with respect to the re-calculation of network constraints and transmission loss factors including but not limited to:

(1) advice on the re-calculation of network limits, including stability limits; and
(2) information relating to the determination of network losses and loss factors.

(b) Where a Transmission Network Service Provider advises NEMMCO that it is not practicable to provide information relating to the re-calculation of network limits or losses within the time period specified in the request, NEMMCO may:

(1) request the Transmission Network Service Provider to provide the information to NEMMCO as it becomes available to the provider;

(2) determine inter-regional loss factors on the basis of estimates;

(3) apportion losses for the purpose of settlements residue payments using estimates; or

(4) re-formulate existing network constraints to apply to the new regions using estimates.

(c) NEMMCO must publish the process used for determining estimates under paragraph (b).

### 11.13.13 Transition of settlements residue auction arrangements

(a) Terms used in this clause 11.13.13 that are used in the auction rules have the same meaning as in those rules.

(b) Despite anything in rule 3.18, NEMMCO:

(1) may, as an implementation function:

(i) amend the auction rules;

(ii) remove or modify Unit Categories affected by the abolition of the Snowy region and the consequential modification of the New South Wales region and the Victoria region;

(iii) re-set auction expense fees as required to align with any new Unit Categories;

(iv) conduct auctions in relation to new Unit Categories; and

(v) take any other action in relation to auctions that is necessary or consequential on the abolition of the Snowy region; and

(2) must consult with the Settlements Residue Committee in amending the auction rules under paragraph (1) and is only required to comply with the Rules consultation procedures to the extent practicable in the
circumstances of the implementation of the abolition of the Snowy region.

11.13.14 Continuity of regions

Subject to this rule 11.13 and clause 3.5.6, on and from 00:00 hours EST on 1 July 2008:

1. the unmodified regions continue and are taken to be regions for all purposes under the Rules; and

2. the New South Wales region and the Victoria region as modified by the Amending Rule 2007 continue and are taken to be regions specified under clause 3.5.1 for all purposes under the Rules.

Part M Economic Regulation of Distribution Services (2007 amendments)

Division 1 General Provisions

11.14.1 Application of this Division

This Division has no application in relation to Victoria.

11.14.2 Definitions


current Chapter 6 means Chapter 6 of these Rules as currently in force.

former Chapter 6 means Chapter 6 of these Rules as in force before the substitution of the current Chapter 6 by the amending rules.

jurisdictional pricing determination for a participating jurisdiction means a determination regulating distribution service pricing made by the Jurisdictional Regulator for the participating jurisdiction and in force immediately before the date of the relevant amendment.

new regulatory provisions means the provisions of current Chapter 6 or (if applicable) of later Divisions of this Part providing for the economic regulation of distribution services after the transitional regulatory period comes to an end.

old regulatory regime for a participating jurisdiction includes:

(a) the jurisdictional pricing determination for the participating jurisdiction; and
(b) the laws (including the former Chapter 6) governing the making, monitoring, administration and enforcement of the jurisdictional pricing determination;

(c) any other determination, guideline, code or document (whatever its description) of a kind contemplated by the former Chapter 6 that was made for the participating jurisdiction by the relevant Jurisdictional Regulator and was in force immediately before the date of the relevant amendment;

(d) any other obligation imposed by or under the former Chapter 6;

(e) any power or function of the Jurisdictional Regulator under the former Chapter 6.

**new regulatory regime** means the system for the economic regulation of distribution services contemplated by the new regulatory provisions.

**relevant amendment** means the substitution of the current Chapter 6 for the former Chapter 6 by the amending rules.

**transitional regulatory period** for a participating jurisdiction means the regulatory control period for which the jurisdictional pricing determination for the relevant participating jurisdiction was made.

### 11.14.3 Preservation of old regulatory regime

(a) Subject to this Part, a Distribution Network Service Provider who was providing distribution services in a participating jurisdiction at the date of the relevant amendment

(1) remains subject to the old regulatory regime for the duration of the transitional regulatory period; and

(2) does not become subject to the new regulatory regime until the end of the transitional regulatory period.

**Examples:**

1. Reporting, monitoring and other compliance requirements continue under the old regulatory regime until the end of the transitional regulatory period and (subject to this Part) are unaffected by the new regulatory provisions.

2. Price regulation continues under the old regulatory regime until the end of the transitional regulatory period and is unaffected by the new regulatory provisions.
3. Prudential, billing and settlement issues are governed by rules 6.7 and 6.8 of former Chapter 6 and any applicable regulatory instruments (rather than Parts J and K of current Chapter 6).

4. Access disputes are dealt with under the old regulatory regime (and cannot be notified under Part L of current Chapter 6).

(b) However:

(1) the new regulatory provisions govern the making of a distribution determination for the Distribution Network Service Provider at the end of the transitional regulatory period; and

(2) in that respect the new regulatory provisions apply to a Distribution Network Service Provider who is still subject to the old regulatory regime as if the jurisdictional pricing determination were a distribution determination approaching the end of its regulatory control period.

11.14.4 Transfer of regulatory responsibility

(a) The Minister for a participating jurisdiction may, during the course of the transitional regulatory period, transfer responsibility for the economic regulation of distribution services in the relevant jurisdiction from the Jurisdictional Regulator to the AER.

(b) A Minister for a participating jurisdiction makes (or is taken to make) a transfer of regulatory responsibility under this clause:

(1) by giving notice of the transfer to the Jurisdictional Regulator and the AER; or

(2) if powers exist apart from this clause under the law of the participating jurisdiction to transfer regulatory responsibility from the Jurisdictional Regulator to the AER – by exercising those powers.

(c) If the Minister makes a transfer of regulatory responsibility under this clause:

(1) the AER is subrogated to the position of the Jurisdictional Regulator; and

(2) the AER may therefore exercise powers and functions of the Jurisdictional Regulator (including legislative powers and functions) under the old regulatory regime; and

Note:
The AER may also use its powers (e.g. for information gathering) under the Law.

(3) references to the Jurisdictional Regulator in a determination or other instrument (including a legislative instrument) related to the old regulatory regime will be read as references to the AER.

11.14.5 Special requirements with regard to ring fencing

(a) The requirements of the old regulatory regime with regard to ring fencing (rule 6.12 of former Chapter 6 and related guidelines) apply to a Distribution Network Service Provider until the AER assumes regulatory responsibility at the end of the transitional regulatory period or on the earlier transfer of regulatory responsibility to the AER.

(b) On the AER's assumption of regulatory responsibility, a Distribution Network Service Provider:

(1) ceases to be subject to the requirements of the old regulatory regime with regard to ring fencing; and

(2) becomes subject to the ring fencing requirements of the new regulatory regime; but

(3) guidelines in force for a participating jurisdiction immediately before the AER's assumption of regulatory responsibility (transitional guidelines) continue in force for that jurisdiction subject to amendment, revocation or replacement by guidelines made under the new regulatory regime.

(c) The transitional guidelines:

(1) are taken to be guidelines made by the AER under the new regulatory regime; and

(2) are to be construed as if references to a Jurisdictional Regulator were references to the AER.

(d) A waiver granted, or additional ring fencing requirement imposed, by a Jurisdictional Regulator under the transitional guidelines continues in force under the transitional guidelines subject to variation or revocation by the AER.

11.14.6 Additional requirements with regard to cost allocation

(a) Even though a Distribution Network Service Provider remains subject to the old regulatory regime, the provider is also subject, as from the date of the
relevant amendment, to the requirements of Part F of the current Chapter 6 (Cost Allocation).

(b) This clause applies only for the purposes of the next distribution determination for the Distribution Network Service Provider.

11.14.7 Construction of documents

To facilitate the transition from the old regulatory regime to the new regulatory regime, references in determinations and other documents to provisions of former Chapter 6 are to be read (where the context admits) to corresponding provisions of the current Chapter 6.

Division 2 Special provisions applying to New South Wales and the Australian Capital Territory for the Regulatory Control Period 2009-2014

11.15 Special provisions applying to New South Wales and the Australian Capital Territory

11.15.1 Regulatory control period 2009-2014 for NSW and ACT

There is to be a regulatory control period of 5 years for the NSW and ACT Distribution Network Service Providers commencing on 1 July 2009, which is referred to in this Division 2 as the regulatory control period 2009-2014.

11.15.2 Application of Chapter 6 to NSW and ACT for regulatory control period 2009-2014

(a) Chapter 6 of the Rules applies in relation to the NSW and ACT Distribution Network Service Providers in respect of the regulatory control period 2009-2014 as if that Chapter were amended so as to be in the form set out in Appendix 1 to the Rules.

(b) However, anything required to be done by or in relation to the NSW and ACT Distribution Network Service Providers during the regulatory control period 2009-2014 for the purposes of the regulatory control period commencing on 1 July 2014 is to be done in accordance with general Chapter 6, but (where appropriate) taking into account anything done under transitional Chapter 6.

(c) Accordingly general Chapter 6 does not apply in relation to the NSW and ACT Distribution Network Service Providers in respect of the regulatory control period 2009-2014 except:

(1) as provided by paragraphs (a) and (b); and
(2) to the extent that a provision of transitional Chapter 6 expressly applies a provision of general Chapter 6 or expressly provides that an act, matter or thing has to be done in accordance with a provision of or a procedure in general Chapter 6.

(d) For the avoidance of doubt, this rule 11.15 and transitional Chapter 6 do not apply to Distribution Network Service Providers not referred to in paragraph (c).

(e) References in the Rules (other than Chapter 6 and this rule 11.15) to Chapter 6 or a provision of Chapter 6 are references to transitional Chapter 6 or a provision of transitional Chapter 6 so far as the references relate to the regulatory control period 2009-2014 for the NSW and ACT Distribution Network Service Providers.

(f) In this rule 11.15:

“general Chapter 6” means Chapter 6 as in force apart from this rule 11.15.

“transitional Chapter 6” means Chapter 6 in the form set out in Appendix 1 to the Rules.

Division 3 Transitional arrangements for first distribution determination for Queensland Distribution Network Service Providers

11.16 Transitional arrangements for first distribution determination for Queensland Distribution Network Service Providers

11.16.1 Definitions

In this Division 3:

2005 determination means the Final Determination: Regulation of Electricity Distribution of the Queensland Competition Authority dated April 2005.

EDSD Review means the review by the Independent Panel appointed by the Queensland Government into Electricity Distribution and Service Delivery for the 21st Century which was established in March 2004 and reported in July 2004.

ENERGEX means Energex Limited A.C.N 078 849 055 and any successor business.


Queensland Competition Authority means the authority established by section 7 of the Queensland Competition Authority Act 1997 (Qld).
regulatory control period means the regulatory control period beginning 1 July 2010.

11.16.2 Application of Part to Queensland 2010 distribution determinations

The requirements of this Division 3 apply for the purposes of making a distribution determination for ENERGE X and Ergon Energy for the regulatory control period and modify the application of Chapter 6 of the Rules to the extent set out in this Division 3.

11.16.3 Treatment of the regulatory asset base

(a) Nothing in Chapter 6 of the Rules requires ENERGEX or Ergon Energy to amend the approach allowed in the 2005 determination in relation to the treatment of standard control services and other services in the regulatory asset base for the regulatory control period.

(b) The AER must accept the approach proposed by ENERGEX and Ergon Energy for the regulatory control period if it is consistent with the approach in the 2005 determination.

(c) The AER must provide for any necessary adjustments or mechanisms in the distribution determination for the regulatory control period to prevent any cross-subsidies between standard control services and other distribution services.

Note:

The regulatory asset bases for Ergon Energy and ENERGEX are likely to include assets used to provide services which are not standard control services and accordingly the expected revenue for each year will need to be adjusted to avoid double recovery of those costs.

11.16.4 Efficiency Benefit Sharing Scheme

(a) An efficiency benefit sharing scheme for ENERGEX and Ergon Energy for the regulatory control period must not cover efficiency gains and losses relating to capital expenditure.

(b) For the purposes of clause 6.5.8(c) the AER must also have regard to the continuing obligations on ENERGEX and Ergon Energy throughout the regulatory control period to implement the recommendations from the EDSD Review adopted by the Queensland Government.
11.16.5 Service Target Performance Incentive Scheme

In formulating a service target performance incentive scheme to apply to ENERGEX and Ergon Energy for the regulatory control period, the AER, in addition to the requirements in clause 6.6.2(b), must also:

(1) take into account the continuing obligations on ENERGEX and Ergon Energy throughout the regulatory control period to implement the recommendations from the EDSD Review adopted by the Queensland Government;

(2) take into account the impact of severe weather events on service performance; and

(3) consider whether the scheme should be applied by way of a paper trial or whether a lower powered incentive is appropriate.

11.16.6 Framework and approach

(a) If either ENERGEX or Ergon Energy submits a proposal to the AER as to the classification of services and control mechanism for the regulatory control period on or before 31 March 2008, the AER must publish its framework and approach paper under clause 6.8.1 in relation to those issues within five months of receiving the proposal from ENERGEX or Ergon Energy (as the case may be).

(b) This clause does not affect the timing or the processes of the AER in preparing and publishing its framework and approach paper on the remaining issues in clause 6.8.1 for ENERGEX or Ergon Energy if they submit a proposal under paragraph (a).

11.16.7 Regulatory Proposal

(a) For the purposes of submitting a regulatory proposal under clause 6.8.2 for the regulatory control period, ENERGEX and Ergon Energy may, for the purposes of calculating indicative prices referred to in clause 6.8.2(c)(4) and including X factors for the purposes of clause 6.5.9, treat the proposed statement of regulatory intent published under clause 6.16(b)(1) as if it were the applicable statement of regulatory intent.

(b) If the statement of regulatory intent differs materially from the proposed statement of regulatory intent, ENERGEX or Ergon Energy may revise its calculation of indicative prices and proposed X factors in its regulatory proposal on or before 1 July 2009.

(c) The AER must publish any revised information submitted by ENERGEX or Ergon Energy under this clause.
11.16.8 Side constraints

For the regulatory control period, nothing in clause 6.18.6 should preclude the implementation of any price paths approved by the Queensland Competition Authority (including any necessary adjustment of those price paths in light of the expected revenue for the first regulatory year of the regulatory control period).

11.16.9 Cost pass throughs

(a) If an event or circumstance occurs before 1 July 2010 which would constitute a pass through under the 2005 determination and no application for a pass through has been made in relation to that event or circumstance, ENERGEX or Ergon Energy may apply to the AER within a year of the event or circumstance occurring to accommodate the impact of the event in the regulatory control period.

(b) The AER must allow a pass through of such amounts if the event or circumstance would have constituted a pass through under the 2005 determination as if the amounts were approved pass through amounts under clause 6.6.1.

11.16.10 Capital Contributions Policy

(a) ENERGEX and Ergon Energy must comply with a capital contributions policy published under this clause 11.16.10 for the regulatory control period.

(b) By 1 July 2009, ENERGEX and Ergon Energy must publish on their website a capital contributions policy based upon the requirements relating to capital contributions in their Network Pricing Principles Statements approved by the Queensland Competition Authority immediately in force prior to 1 July 2009.

(c) The AER may by written notice, before 1 January 2010, direct ENERGEX or Ergon Energy to revise and republish their capital contributions policy within 15 business days of the notice only if the published policy does not give effect to the requirements relating to capital contributions in their Network Pricing Principles Statement.

(d) After 1 January 2010, ENERGEX or Ergon Energy may apply to the AER to amend their published capital contributions policy and the AER may, after such consultation as it considers appropriate, approve or not approve that amendment.
Division 4 – Transitional provisions of specific application to Victoria

11.17.1 Definitions

In this Division:

**AMI Order in Council** means the Order in Council made by the Governor of Victoria under section 15A and section 46D of the *Electricity Industry Act 2000* (Vic) and published in the Victoria Government Gazette on 28 August 2007 (and includes that Order in Council as amended from time to time).

**ESC cost allocation guidelines** means *Electricity Industry Guideline No.3, Regulatory Information Requirements* made by the ESC and dated 14 December 2006 (and includes those guidelines as amended from time to time).

**ESC distribution pricing determination** means the Victorian distribution pricing determination as defined in section 3(1) of the *National Electricity (Victoria) Act 2005*.

**Victorian Distribution Network Service Provider** means a *Distribution Network Service Provider* for a *distribution network* situated wholly or partly in Victoria.

11.17.2 Calculation of estimated cost of corporate income tax

(a) This clause applies to the calculation of the estimated cost of corporate income tax for the purposes of distribution determinations that are to take effect on 1 January 2011 for Victorian Distribution Network Service Providers.

(b) For calculating the estimated cost of corporate income tax, the *AER* must adopt:

1. the taxation values of assets carried over from the ESC distribution pricing determination; and

2. the classification of assets, and the method of classification, adopted for the ESC distribution pricing determination; and

3. the same method of depreciation as was adopted by the ESC for the ESC distribution pricing determination.

(c) The *AER* may, however, depart from methods of asset classification or depreciation mentioned in paragraph (b)(2) or (3) to the extent required by changes in the taxation laws or rulings given by the Australian Taxation office.

(d) A *post-tax revenue model* must be consistent with this clause.
11.17.3 Decisions made in the absence of a statement of regulatory intent

(a) This clause applies if a Victorian Distribution Network Service Provider submits a building block proposal before the AER issues a statement of regulatory intent.

(b) In deciding questions to which the considerations stated in clause 6.5.4(e) are relevant, the AER must have regard to those considerations.

11.17.4 Cost allocation guidelines

(a) In formulating the Cost Allocation Guidelines under clause 6.15.3, the AER must include guidelines specifically applicable to Victorian Distribution Network Service Providers (the guidelines of specific application to Victoria).

(b) The guidelines of specific application to Victoria:

1. must be formulated with regard to the ESC cost allocation guidelines; and

2. must be designed to ensure, to the maximum practicable extent, consistency between cost allocation as required by the ESC distribution pricing determination and cost allocation in later regulatory control periods.

11.17.5 Modification of requirements related to cost allocation method

(a) Clause 6.15.4(a) applies to a Victorian Distribution Network Service Provider as if, instead of requiring submission of the provider's proposed Cost Allocation Method within 12 months after the commencement of Chapter 6, it required submission of the proposed Cost Allocation Method together with the first building block proposal to be submitted by the provider after the commencement of Chapter 6.

(b) The references in clauses 6.5.6(b)(2) and 6.5.7(b)(2) to the Cost Allocation Method are, if paragraph (a) is applicable, to be read as references to the proposed Cost Allocation Method submitted with the building block proposal.

(c) The AER must include in its framework and approach paper prepared for a Victorian Distribution Network Service Provider, in relation to the first building block proposal to be submitted by the provider after the commencement of Chapter 6, a statement of its likely approach to cost allocation based on the guidelines then in force.

(d) The AER:
(1) must, in deciding under clause 6.15.4(c) whether to approve a Cost Allocation Method submitted by a Victorian Distribution Network Service Provider, have regard to previous cost allocation in accordance with the ESC distribution pricing determination; and

(2) must not approve the Cost Allocation Method unless it allows effective comparison of historical and forecast cost allocation between the period to which the ESC distribution pricing determination applies and later regulatory control periods; and

(3) may, subject to the relevant Cost Allocation Guidelines, refuse to approve the Cost Allocation Method if it differs from the method previously used by the Victorian Distribution Network Service Provider.

11.17.6 AMI Order in Council

(a) Metering services that are regulated under the AMI Order in Council are not, while so regulated, subject to regulation under a distribution determination but, on cessation of regulation under the AMI Order in Council, are liable to regulation under a distribution determination.

(b) However, for a relevant regulatory control period, services to which exit fees under clause 7, or restoration fees under clause 8, of the AMI Order in Council applied are to be classified as alternative control services and are to be regulated by the AER on the same basis as applied under the AMI Order in Council.

(c) For paragraph (b), a relevant regulatory control period is a regulatory control period commencing on or after 1 January 2016 and before 1 January 2021.

(d) Until there is a transfer of regulatory responsibility from the ESC to the AER under a law of Victoria, clause 7.3.6(f) in its application to Victoria will be read as if it permitted the recovery of the costs to which it refers in accordance with a determination made either by the AER or by the ESC.

(e) This clause expires on 1 January 2021.
Part N Registration of Foreign Based Persons and Corporations as Trader Class Participants (2007 amendments)

11.18 Rules consequential on the making of the National Electricity Amendment (Registration of Foreign Based Persons and Corporations as Trader Class Participants) Rule 2007

11.18.1 Definitions

For the purposes of this rule 11.18:

Amending Rule means the National Electricity Amendment (Registration of Foreign Based Persons and Corporations as Trader Class Participants) Rule 2007.

commencement date means the day on which the Amending Rule commences operation.

11.18.2 Auction rules

(a) NEMMCO must amend the auction rules by 1 September 2008 in accordance with clause 3.18.3 to incorporate the amendments to the Rules made by the Amending Rule.

(b) Any action taken by NEMMCO prior to the commencement date, in anticipation of the commencement date, to amend the auction rules for the purpose of the Amending Rule is taken to satisfy the equivalent action under clause 3.18.3.

Part O Process for Region Change (2007 amendments)

11.19 Rules consequent on making of the National Electricity Amendment (Process for Region Change) Rule 2007

11.19.1 Definitions


commencement date means the day on which the Amending Rule commences operation.

old clause 3.5.5 means clause 3.5.5 of the Rules as in force immediately before the commencement date.
11.19.2 Regions Publication

The Regions Publication published by NEMMCO immediately before the commencement date in accordance with old clause 3.5.5 and clause 11.13.10 is taken to be the Regions Publication published by NEMMCO in accordance with clause 2A.1.3.

Part P Integration of NEM Metrology Requirements

11.20 Rules consequential on the making of the National Electricity Amendment (Integration of NEM Metrology Requirements) Rule 2008

11.20.1 Definitions

For the purposes of this rule 11.20:

**Amending Rule** means the National Electricity Amendment (Integration of NEM Metrology Requirements) Rule 2008.

**commencement date** means the day on which the Amending Rule commences operation.

**first-tier jurisdictional requirements publication** means the publication published by NEMMCO in accordance with clause 11.20.6.

**Minimalist Transitioning Approach** has the same meaning as in the Queensland Electricity Industry Code.

**new clause 7.3.1** means clause 7.3.1 of the Rules immediately after the commencement date.

**Victorian first-tier load** means a load in Victoria where the electricity flowing through the connection point is equal to, or greater than, 160 MWh per annum.

11.20.2 Metering installations for non-market generating units immediately prior to 30 June 2008

(a) A metering installation for a non-market generating unit that was installed immediately prior to 30 June 2008 and complied with the applicable jurisdictional requirements for that installation on 30 June 2008 is taken to satisfy the requirements for metering installations for non-market generating units in new clause 7.3.1.

(b) Where a metering installation for a non-market generating unit did not comply with the requirements referred to in paragraph (a), that installation
must be repaired or replaced in accordance with the requirements of new clause 7.3.1.

(c) The applicable jurisdictional requirements for metering installations for non-market generating units referred to in paragraph (a) must be referred to in the first-tier jurisdictional requirements publication.

11.20.3 First-tier load metering installations

(a) Subject to clause 11.20.5, a first-tier load metering installation as at 30 June 2008 that complied with the applicable jurisdictional requirements for that installation as at that date is taken to comply with the Rules provided the metering installation continues to comply with the applicable jurisdictional requirements as at 30 June 2008.

(b) A first-tier load metering installation that does not satisfy the requirements of paragraph (a) must be repaired or replaced in accordance with the Rules.

(c) The applicable jurisdictional requirements referred to in paragraph (a) for first-tier load metering installations must be referred to in the first-tier jurisdictional requirements publication.

11.20.4 First-tier load metering installations in Victoria

(a) Subject to paragraph (b) and despite the Rules, a Market Participant who is responsible for a Victorian first-tier load with a type 5 or type 6 metering installation immediately before the commencement date is taken to be the responsible person for that metering installation.

(b) A Market Participant who is taken to be the responsible person for the metering installation referred to in paragraph (a) must ensure the metering installation meets the applicable jurisdictional requirements for that installation as referred to in the first-tier jurisdictional requirements publication in accordance with clause 11.20.3(c).

11.20.5 Minimalist Transitioning Approach in Queensland

For the duration of the Minimalist Transitioning Approach, clauses 7.2.3(i)(2), 7.2.5(b)(2), 7.2.5(d)(6) and 7.3.1(f) of the Rules do not apply in respect of a metering installation which:

(a) is the responsibility of a Market Participant or responsible person who is operating under the Minimalist Transitioning Approach in Queensland; and

(b) in accordance with the Market Settlement and Transfer Solution Procedures:

(1) has a NMI classification of SMALL; and
(2) the Local Network Service Provider has not received a valid request from a Market Customer for the NMI to be registered with NEMMCO.

11.20.6 First-tier jurisdictional requirements publication

(a) NEMMCO must, in consultation with the participating jurisdictions, publish a document (‘first-tier jurisdictional requirements publication’) that lists the documents that contain the applicable jurisdictional requirements referred to in clauses 11.20.2, 11.20.3 and 11.20.4.

(b) NEMMCO must publish the first-tier jurisdictional requirements publication by 30 June 2008.

11.20.7 Metrology procedure

(a) NEMMCO must make the required amendments to the metrology procedure as a result of the Amending Rule by 31 July 2008.

(b) All actions taken by NEMMCO prior to the commencement date to amend the metrology procedure in accordance with paragraph (a) are deemed to be valid as at the commencement date to the extent that those actions were taken in accordance with the relevant requirements of rule 7.14 (as though the Amending Rule was in force at the time that the action was taken).

(c) The metrology procedure published in accordance with rule 7.14 immediately before the commencement date continues to apply as if the Amending Rule had not been made and until NEMMCO publishes the amended the metrology procedure in accordance with paragraph (a).

11.21 Rules consequential on the making of the National Electricity Amendment (NEM Reliability Settings: Information Safety Net and Directions) Rule 2008 No. 6

11.21.1 Definitions

In this rule 11.21:

Amending Rule means the National Electricity Amendment (NEM Reliability Settings: Information Safety Net and Directions) Rule 2008 No. 6.

Commencement date means the date the Amending Rule commences operation.

11.21.2 EAAP guidelines

All actions taken by NEMMCO prior to the commencement date in anticipation of the commencement date for the purposes of preparing and publishing the first
EAAP guidelines as required by clause 3.7C(p) are taken to satisfy the equivalent actions required for EAAP guidelines under rule 3.7C.

11.21.3 NEMMCO procedures for exercising RERT

(a) All actions taken by NEMMCO prior to the commencement date in anticipation of the commencement date for the purposes of developing and publishing the procedures for the exercise of the RERT as required by clause 3.20.7(e) are taken to satisfy the equivalent actions required for the procedures under clause 3.20.7.

(b) NEMMCO may develop, publish, and may amend from time to time, interim procedures for the exercise of the RERT under rule 3.20 at any time before it publishes the first procedures for that purpose as required by clause 3.20.7(e). For these purposes:

(1) NEMMCO is not required to develop, publish or amend those interim procedures in accordance with the Rules consultation procedures;

(2) those interim procedures must take into account the RERT principles and RERT guidelines or, if there are no RERT guidelines in existence at that time, the draft guidelines referred to in clause 11.21.4(b);

(3) those interim procedures must include measures as referred to in clause 3.20.7(e);

(4) those interim procedures will cease to apply when NEMMCO publishes the first procedures for the exercise of the RERT as required by clause 3.20.7(g); and

(5) for so long as those interim procedures apply, references in rule 3.20 to the procedures referred to in clause 3.20.7(e) are taken to include references to those interim procedures.

11.21.4 RERT guidelines

(a) All actions taken by the Reliability Panel prior to the commencement date in anticipation of the commencement date for the purposes of developing and publishing the first RERT guidelines as required by clause 3.20.8(c) are taken to satisfy the equivalent actions required for RERT guidelines under clause 3.20.8.

(b) If it exercises the RERT under rule 3.20 prior to the publication of the first RERT guidelines as required by clause 3.20.8(c), NEMMCO must take into account the draft guidelines set out in Appendix C.3 to the document entitled 'Comprehensive Reliability Review: Second Interim Report' issued by the Reliability Panel and dated August 2007.
11.21.5 **Timetable**

(a) *NEMMCO* must amend the *timetable* in accordance with clause 3.4.3(b) to take into account the Amending Rule and those amendments are to take effect from the commencement date.

(b) All actions taken by *NEMMCO* prior to the commencement date in anticipation of the commencement date to amend the *timetable* as required by paragraph (a) are taken to satisfy the equivalent action required under clause 3.4.3(b).

11.21.6 **Power system security and reliability standards**

(a) The *Reliability Panel* must amend the *power system security and reliability standards* in accordance with clause 8.8.3 to take into account the Amending Rule and those amendments are to take effect from the commencement date.

(b) All actions taken by the *Reliability Panel* prior to the commencement date in anticipation of the commencement date to amend the *power system security and reliability standards* as required by paragraph (a) are taken to satisfy the equivalent action required under clause 8.8.3.

11.21.7 **Report on statement of opportunities**

All actions taken by *NEMMCO* prior to the commencement date in anticipation of the commencement date for the purposes of preparing and providing a report to the *Reliability Panel* as required by clause 3.13.3(u) are taken to satisfy the equivalent actions required for preparing and providing a report under clause 3.13.3(u).

11.21.8 **Methodology for dispatch prices and ancillary services prices**

Minor or administrative amendments made by *NEMMCO* to the methodology for determining *dispatch prices* and *ancillary service prices* developed in accordance with clause 3.9.3(e) prior to the commencement date are taken to have been made under clause 3.9.3(g).