

# Draft Decision

**TasNetworks**

**Electricity Transmission**

**Determination 2024 to 2029**

**(1 July 2024 to 30 June 2029)**

**Attachment 8**

**Efficiency benefit sharing scheme**

**September 2023**

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## 8 Efficiency benefit sharing scheme

The efficiency benefit sharing scheme (EBSS) is intended to provide a continuous incentive for service providers to pursue efficiency improvements in operating expenditure (opex) and provide for a fair sharing of the benefits of these efficiencies between transmission businesses and network users.<sup>1</sup> Consumers benefit from improved efficiencies through lower regulated prices.

This section sets out our draft decision and reasons on the EBSS carryover amounts TasNetworks has accrued over the 2019–24 regulatory control period, and how we will apply the EBSS over the 2024–29 regulatory control period.

### 8.1 Draft decision

Our draft decision is to include EBSS carryover amounts totalling –\$3.3 million (\$2023–24) from the application of the EBSS in the 2019–24 regulatory control period.<sup>2</sup> This is \$3.5 million (\$2023–24) less than TasNetworks' proposal of \$0.2 million (\$2023–24).<sup>3</sup> This difference reflects adjustments we have made in calculating the EBSS carryover amount which TasNetworks did not:

- correct the movement in opex provisions over the period 2017–18 to 2021–22
- update 2021–22 actual opex
- update excludable costs over the period 2020–21 to 2022–23
- update actual and forecast inflation
- not exclude self-insurance costs from actual and forecast opex for the period 2017–18 and 2018–19.

We set out our draft decision on TasNetworks' EBSS carryover amounts in Table 8.1. Our draft decision is that we will continue to apply version 2 of the EBSS to TasNetworks in the 2024–29 regulatory control period.<sup>4</sup> Consistent with TasNetworks' proposal, we will exclude debt raising costs from the scheme because we have forecast them on a category specific basis and will continue doing so in the 2029–34 regulatory control period.<sup>5</sup> We will also make other adjustments as permitted by the EBSS, such as removing movements in provisions.

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<sup>1</sup> AER, AER explanatory statement – efficiency benefit sharing scheme – November 2013, November 2013, p. 5.

<sup>2</sup> NER, cl.6A.5.4(a)(5).

<sup>3</sup> TasNetworks, *Combined Proposal 2024–2029, Attachment 10 Efficiency Benefit Sharing Scheme*, January 2023, p. 4.

<sup>4</sup> AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013.

<sup>5</sup> TasNetworks, *Combined Proposal 2024–2029, Attachment 10 Efficiency Benefit Sharing Scheme*, January 2023, p. 5.

**Table 8.1 Draft decision on carryover amounts (\$million, 2023–24)**

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
TasNetworks' proposal	2.5	–2.1	–0.2	–	–0.0	0.2
AER's draft decision	1.2	–3.9	–1.0	–	0.5	–3.3
<b>Difference</b>	–1.3	–1.8	–0.9	–	0.5	–3.5

Source: TasNetworks, *Combined Proposal 2024–29, Attachment 10 Efficiency Benefit Sharing Scheme*, January 2023, p. 4.; AER analysis.

Note: Numbers may not add up to totals due to rounding. Values of '0.0' represent small non-zero amounts and '-' represents zero.

## 8.2 TasNetworks' proposal

### 8.2.1 Carryover amounts from the 2019–24 regulatory control period

TasNetworks included EBSS carryover amounts totalling \$0.2 million (\$2023–24) in its revenues for the 2024–29 regulatory control period from the application of the EBSS in the 2019–24 regulatory control period. TasNetworks excluded the following cost categories in calculating its EBSS carryover amounts:<sup>6</sup>

- debt raising costs
- opex on network capability incentive projects under the Service Target Performance Incentive Scheme
- network support costs
- self-insurance costs from 2017–18 and 2018–19.

In addition, TasNetworks' actual opex was adjusted to reverse any movements in provisions<sup>7</sup> for the purposes of calculating the EBSS.

### 8.2.2 Application in the 2024–29 regulatory control period

TasNetworks proposed to continue applying version 2 of the EBSS in the 2024–29 regulatory control period. It proposed the following cost categories to be excluded from the EBSS:<sup>8</sup>

- debt raising costs

<sup>6</sup> TasNetworks, *Combined Proposal 2024–2029, Attachment 10 Efficiency Benefit Sharing Scheme*, January 2023, p. 3.

<sup>7</sup> TasNetworks incorrectly entered movements in opex provisions as positive values in its EBSS model, while the model required these to be included as negative values. TasNetworks acknowledged this in TasNetworks, *response to IR#040 – EBSS models and opex adjustments*, received 27 June 2023, pp. 6–7; TasNetworks, *response to AER information request meeting 13 Jul 2023*, received 20 July 2023, p. 6 (attachment).

<sup>8</sup> TasNetworks, *Combined Proposal 2024–2029, Attachment 10 Efficiency Benefit Sharing Scheme*, January 2023, pp. 5–6.

- opex on network capability incentive projects under the Service Target Performance Incentive Scheme
- network support costs
- opex for contingent projects
- pass through amounts
- opex arising from actionable Integrated System Plan (ISP) projects
- opex arising from Renewable Energy Zone (REZ) developments.

TasNetworks stated that all but two of the proposed exclusions are consistent with the application of the EBSS during the current regulatory control period. The final two exclusions proposed in the above list have been nominated for the following reasons.<sup>9</sup>

- opex arising from ISP projects – Transmission network service providers (TNSPs) are obligated to progress the early works related to actionable ISP projects identified by the Australian Energy Market Operator (AEMO). Due to uncertainty, any expenditure of this nature should be excluded from the EBSS, because of the potential for TasNetworks' opex to exceed its allowance, resulting in an EBSS penalty which is unrelated to TasNetworks' opex efficiency.
- opex arising from REZ developments – TNSPs are obliged to prepare detailed REZ design reports if required by AEMO in an ISP. TasNetworks proposes to exclude REZ development costs from the EBSS as these costs will not be recognised within its approved opex allowance.

### 8.2.3 Stakeholder submissions

We did not receive any stakeholder submissions on TasNetworks' EBSS proposal.

## 8.3 Assessment approach

Under the National Electricity Rules (NER) we must determine:

- the revenue increments or decrements for each year of the 2024–29 regulatory control period arising from the application of the EBSS during the 2019–24 regulatory control period<sup>10</sup>
- how the EBSS will apply to TasNetworks in the 2024–29 regulatory control period.<sup>11</sup>

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<sup>9</sup> TasNetworks, *Combined Proposal 2024–2029, Attachment 10 Efficiency Benefit Sharing Scheme*, January 2023, p. 5.

<sup>10</sup> NER, cl. 6A.5.4(a)(5).

<sup>11</sup> NER, cl. 6A.14.1(1)(iv) and cl. 6A.14.3(d)(2).

The EBSS must provide for a fair sharing of opex efficiency gains and efficiency losses between TasNetworks and network users.<sup>12</sup> We must also have regard to the following matters when implementing the EBSS:<sup>13</sup>

- the need to provide TasNetworks with continuous incentives to reduce opex
- the desirability of both rewarding TasNetworks for efficiency gains and penalising it for efficiency losses
- any incentives that TasNetworks may have to inappropriately capitalise expenditure
- the possible effects of the scheme on incentives for the implementation of non-network alternatives.

### 8.3.1 Interrelationships

The EBSS is closely linked to our opex revealed cost forecasting approach. When we develop our opex forecast, the NER requires us to have regard to whether the opex forecast is consistent with any incentive schemes.<sup>14</sup>

Our opex forecasting method relies on using the ‘revealed costs’ of the service provider in a chosen base year to develop a total opex forecast if the chosen base year opex is not considered to be ‘materially inefficient’. Under this approach, a service provider would have an incentive to spend more opex in the expected base year. Also, a service provider has less incentive to reduce opex towards the end of the regulatory control period, where the benefit of any efficiency gains is retained for less time.

The application of the EBSS serves two important functions:

- It removes the incentive for a service provider to inflate opex in the expected base year in order to gain a higher opex forecast for the next regulatory control period
- It provides a continuous incentive for a service provider to pursue efficiency improvements across the regulatory control period.

The EBSS does this by allowing a service provider to retain efficiency gains (or losses) for a total of six years, regardless of the year in which the service provider makes them. Where we do not propose to rely on the revealed costs of a service provider in forecasting opex, this has consequences for the service provider’s incentives and our decision on how we apply the EBSS.

When a business makes an incremental efficiency gain, it receives a reward through the EBSS, and consumers benefit through a lower revealed cost forecast for the subsequent regulatory control period. This is how efficiency improvements are shared between

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<sup>12</sup> NER, cl. 6A.6.5(a).

<sup>13</sup> NER, cl. 6A.6.5(b).

<sup>14</sup> NER, cl. 6A.6.6(e)(8). Further, we must specify and have regard to the relationship between the constituent components of our overall decision: NEL, s. 16(1)(c).

consumers and the business. If we subject costs to the EBSS that are not forecast using a revealed cost approach, a business would in theory receive a reward for efficiency gains through the EBSS (at a cost to consumers), but consumers would not benefit through a lower revealed cost forecast in the subsequent regulatory control period.

Therefore, we typically exclude costs that we do not forecast using a single year revealed cost forecasting approach.

For these reasons, our decision on how we will apply the EBSS to TasNetworks has a strong interrelationship with our decision on its opex (see Attachment 6). We have careful regard to the effect of our EBSS decision when making our opex decision, and our EBSS decision is made largely in consequence of (and takes careful account of) our past and current decisions on TasNetworks' opex.

## 8.4 Reasons for draft decision

This section provides the reasons for our draft decision on the carryover amounts that arise from applying the EBSS during the 2019–24 regulatory control period, and how we will apply the EBSS in the 2024–29 regulatory control period.

### 8.4.1 Carryover amounts from the 2019–24 regulatory control period

Our draft decision is to include EBSS carryover amounts totalling –\$3.3 million (\$2023–24) from the application of the EBSS in the 2019–24 regulatory control period. This is \$3.5 million (\$2023–24) lower than TasNetworks' proposal of \$0.2 million (\$2023–24). This difference is because we made the following adjustments in calculating the EBSS carryover amount which TasNetworks did not:

- corrected movements in provisions related to opex over the period 2017–18 to 2021–22, which decreased carryovers by \$4.8 million (\$2023–24)
- updated 2021–22 actual opex, which decreased carryovers by \$1.2 million (\$2023–24)
- updated excludable costs over the period 2020–21 to 2022–23, which increased carryovers by \$2.3 million (\$2023–24)
- updated actual and forecast inflation for 2022–23 and 2023–24 respectively, which decreased carryovers by \$0.1 million (\$2023–24)
- did not exclude self-insurance costs from actual and forecast opex for the period 2017–18 and 2018–19 which had a very minor effect on the carryover amount.

We discuss each of these in detail below.

We consider that the EBSS carryover amounts we have calculated provide for a fair sharing of efficiency gains and losses between TasNetworks and its network users. Over the 2019–24 regulatory control period, it both rewards TasNetworks for any efficiency gains it has made and penalises it for any efficiency losses. Further, we consider that the benefit to consumers, through any lower forecast opex, is sufficient to warrant the EBSS carryover amounts we have determined.

In our final decision, we will update our EBSS carryover calculations to reflect actual opex and excludable costs for 2022–23. Our draft decision is based on an estimate because actual data for 2022–23 is not yet available. We will also update inflation parameters.



### 8.4.1.1 Movements in provisions

TasNetworks included movements in opex provisions in its EBSS proposal over the 2017–18 to 2021–22 period, but these expenditures were entered incorrectly as positive value. The EBSS model requires opex provisions to be included as negative values to correctly adjust actual total opex for EBSS purposes.

In our draft decision, we have reversed the sign of the actual opex provisions values for the period 2017–18 to 2021–22, which resulted in a decrease in EBSS carryover amounts of \$4.8 million (\$2023–24). TasNetworks agreed with this adjustment.<sup>15</sup>

### 8.4.1.2 2021–22 actual opex

TasNetworks identified an error in its reported Network Transmission Planning (NTP) Fees for the Transmission Regulatory Information Notices in 2021–22. While these costs are not included in opex costs, as outlined below the incorrect allocation of corporate overheads to NTP Fees meant that opex costs in 2021–22 were too low.

NTP costs for 2021–22 were reported as \$1.7 million (\$nominal), but TasNetworks subsequently advised the actual costs incurred were \$1.5 million (\$nominal). The discrepancy of \$0.2 million (\$nominal) was due to overheads being incorrectly allocated to the NTP costs, which are recovered (and reported) through TasNetworks' annual transmission pricing as required by the NER.<sup>16</sup> It is noted that NTP Fees do not form a part of opex for EBSS purposes but overheads do. TasNetworks therefore made a change to its Regulatory Information Notices to adjust for this discrepancy and re-allocated the corporate overhead costs to opex instead of the NTP costs, resulting in an increase in opex of \$0.2 million (\$nominal) in 2021–22.

In our draft decision we have used TasNetworks' amended actual opex for 2021–22, which resulted in a decrease in EBSS carryover amounts of \$1.2 million (\$2023–24).

### 8.4.1.3 Excludable costs

#### 8.4.1.3.1 Inertia costs

TasNetworks included an 'other adjustments or exclusions required by the EBSS' excludable costs category in its EBSS proposal over the period 2020–21 to 2022–23. We could not reconcile this expenditure item to the costs in TasNetworks' Economic Benchmarking Regulatory Information Notice, and therefore sought clarification. In its response to our information request<sup>17</sup>, TasNetworks clarified that these 'other adjustments or exclusions required for the EBSS' were for inertia costs incurred as a part of network support cost pass

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<sup>15</sup> TasNetworks, *response to IR#040 – EBSS models and opex adjustments*, received 27 June 2023, pp. 6–7; TasNetworks, *response to AER information request meeting 13 Jul 2023*, received 20 July 2023, p. 6 (attachment).

<sup>16</sup> TasNetworks, *Response to AER information request meeting 13 Jul 2023*, received 20 July 2023, p. 5.

<sup>17</sup> TasNetworks, *Response to AER information request meeting 13 Jul 2023*, received 20 July 2023, p. 6.

throughs approved by the AER determinations.<sup>18</sup> As a result these costs were included in opex in both 2020–21 and 2021–22 however they are excludable costs under the EBSS. TasNetworks also reconciled these costs to those reported in the Economic Benchmarking Regulatory Information Notice for 2020–21 and 2021–22. TasNetworks also updated the 2022–23 estimated inertia costs amount in line with the actual incurred costs.

In our draft decision we have included TasNetworks' updated inertia costs under the network support excludable costs category over the period 2020–21 to 2022–23, which resulted in an increase in EBSS carryover amounts of \$2.3 million (\$2023–24).

#### **8.4.1.3.2 Network capability incentive parameter action plan (NCIPAP) opex**

TasNetworks incurred a minor opex amount (\$8,280 (\$nominal)) in relation to NCIPAP projects in 2020–21 and this amount was reported as part of prescribed opex in the transmission Economic Benchmarking Regulatory Information Notice. TasNetworks confirmed that the NCIPAP amount was inadvertently missed as an excluded cost in its proposed EBSS model.<sup>19</sup>

In our draft decision, since we included NCIPAP cost in 2015–16 under 'opex on network capability incentive projects' excludable cost category in our previous (2019–24) determination<sup>20</sup>, we have now included the 2020–21 NCIPAP opex amount in our EBSS carryover calculation.

#### **8.4.1.4 Inflation**

Consistent with our standard approach and opex forecast, we used unlagged inflation to convert opex amounts to 2023–24 real terms. This approach is also consistent with the approach TasNetworks adopted in its proposal.<sup>21</sup>

In our draft decision we have used updated consumer price index (CPI) values compared to those TasNetworks used in its proposal. For 2022–23, we used the actual headline June quarter 2023 CPI figure published by the Australian Bureau of Statistics, which was released after TasNetworks submitted its proposal.<sup>22</sup> For 2023–24, we used the inflation forecast for the year to June 2024 in the Reserve Bank of Australia's August 2023 Statement on monetary policy,<sup>23</sup> which was also published after TasNetworks submitted its proposal.

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<sup>18</sup> AER, *Determination on TasNetworks 2020–21 Network Support Pass Through*, November 2021, p. 9; AER, *TasNetworks – Determination – 2021–22 Network support pass through*, October 2022, p. 6.

<sup>19</sup> TasNetworks, *Response to AER information request meeting 13 Jul 2023*, received 20 July 2023, p. 6.

<sup>20</sup> AER, *TasNetworks 2019–24 – Transmission – Final decision – EBSS model*, April 2019.

<sup>21</sup> TasNetworks, *2024–2029 Operating Expenditure Model – Prescribed*, December 2022.

<sup>22</sup> Australian Bureau of Statistics (ABS), *Consumer Price Index, Australia, released on 26 July 2023* (accessed on 27 July 2023: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2023>).

<sup>23</sup> Reserve Bank of Australia (RBA), *Statement on monetary policy*, August 2023 (accessed on 4 August 2023: <https://www.rba.gov.au/publications/smp/2023/aug/forecasts.html>).

#### **8.4.1.5 Self-insurance costs**

TasNetworks excluded self-insurance costs under an 'other adjustments or exclusions required by the EBSS' excludable costs category in its EBSS proposal.

In our draft decision we did not exclude these self-insurance costs in calculating the incremental efficiency gain in 2019–20 because excluding these costs would include the incremental gains (losses) made between 2017–18 and 2018–19 in our calculated incremental gain (loss) for 2019–20. The basis for this is explained below.

To calculate the incremental gain (loss) made in the first year of a regulatory control period we start with the opex underspend (overspend) in that year. Since the forecast for that year will reflect the level of efficiency revealed in the base year in the previous regulatory control period, this underspend will reflect all efficiency gains or losses made after the base year. We then subtract any incremental gains or losses made after the base year in the previous regulatory control period. When we do this, we subtract efficiency gains made in all categories of opex subject to the EBSS in the new regulatory control period. This includes any categories of opex that we excluded from the EBSS in the previous regulatory control period, but are not excluded in the current regulatory control period. This is because we are calculating the incremental efficiency gain in 2019–20 for those categories of expenditure subject to the EBSS in the 2019–24 regulatory control period. As we included self-insurance costs in TasNetworks' forecast and actual opex for 2017–18 and 2018–19 we also included it to calculate the incremental efficiency gain for 2019–20.

#### **8.4.2 Application in the 2024–29 regulatory control period**

Our draft decision is to continue to apply version 2 of the EBSS to TasNetworks during the 2024–29 regulatory control period. We consider applying the scheme will benefit the long-term interests of electricity consumers by providing a continuous incentive for TasNetworks to reduce its opex. Provided we forecast TasNetworks' future opex using its revealed costs in the 2024–29 regulatory control period, any efficiency gains (losses) that TasNetworks achieves will lead to lower (higher) future opex forecasts, and thus lower (higher) network tariffs.

Version 2 of the EBSS specifies our approach to adjusting forecast or actual opex when calculating carryover amounts.<sup>24</sup> We provide details on these below.

##### **8.4.2.1 Adjustments to forecast or actual opex when calculating carryover amounts**

The EBSS allows us to exclude categories of costs that we do not forecast using a single year revealed cost forecasting approach in the following regulatory control period. We do this to fairly share efficiency gains and losses. For instance, where a service provider achieves efficiency improvements, it receives a benefit through the EBSS and consumers receive a

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<sup>24</sup> AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013.

benefit through lower forecast opex in the next regulatory control period. This is the way consumers and the service provider share in the benefits of an efficiency improvement.

If we do not use a single year revealed cost forecasting approach, we may not pass the benefits of these revealed efficiency gains to consumers. It follows that consumers should not pay for EBSS rewards where they do not receive the benefits of a lower opex forecast.

We do not forecast debt raising costs using a single year revealed cost forecasting approach. Instead, we provide a benchmark forecast. Accordingly, we have excluded these costs from the EBSS for the 2024–29 regulatory control period since any achieved efficiency gains (or losses) would not be passed on to network users.

We will also exclude NCIPAP projects approved under the network capability component of service target performance incentive scheme because including them in the EBSS would distort the incentives provided under these schemes and allowances.

In addition to the excluded cost categories discussed above, we will also make the following adjustments when we calculate the EBSS carryover amounts accrued during the 2024–29 regulatory control period:

- adjust forecast opex to add (subtract) any approved revenue increments (decrements) made after the initial regulatory determination, such as approved pass through amounts or opex for contingent projects
- adjust reported actual opex for the 2024–29 regulatory control period to reverse any movements in provisions
- adjust reported opex to add capitalised opex that has been excluded from the regulatory asset base
- adjust forecast opex and actual opex for inflation<sup>25</sup>
- exclude categories of opex not forecast using a single year revealed cost approach for the regulatory control period beginning in 2024, where doing so better achieves the requirements of clause 6A.6.5 of the NER.<sup>26</sup>

We have not made the following exclusions proposed by TasNetworks:<sup>27</sup>

- opex arising from actionable ISP projects – TasNetworks proposed that opex resulting from obligations on transmission networks to progress early works related to actionable ISP projects identified by AEMO be excluded from the EBSS. It stated that by its nature, this opex would be uncertain, and no allowance would have been made as a part of

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<sup>25</sup> AER, *Efficiency Benefit Sharing Scheme for Electricity Network Service Providers*, November 2013, p. 7.

<sup>26</sup> AER, *Explanatory Statement - Efficiency Benefit Sharing Scheme for Electricity Network Service Providers*, November 2013, p. 14.

<sup>27</sup> TasNetworks, *Combined Proposal 2024–2029, Attachment 10 Efficiency Benefit Sharing Scheme*, January 2023, p. 5.

revenue determination. TasNetworks considered that the potential for its opex to exceed its allowance would result in an EBSS penalty unrelated to its opex efficiency. Further, that the inclusion of opex arising from actionable ISP projects in the EBSS also creates a perverse incentive to proceed with projects which may only be of marginal economic viability to avoid penalty under the EBSS, or to at least factor in the avoidance of an EBSS penalty into any cost-benefit analysis.

- opex arising from REZ developments – TNSPs are obliged to prepare detailed REZ design reports if required by AEMO in an ISP. TasNetworks proposed to exclude REZ development costs from the EBSS (which we interpret as the REZ design report costs, rather than broader REZ costs), as these costs would not be recognised within its approved opex allowance.

TasNetworks considered that the incentive to proceed with both the actionable ISP projects and REZ design reports is optimally preserved by excluding these costs from the EBSS. The proposed EBSS exclusion of REZ development costs is linked to the TasNetworks' proposed REZ design report on nominated cost pass through events<sup>28</sup> which we have accepted in the draft decision.<sup>29</sup> As noted above, we generally adjust forecast opex to add (subtract) any approved revenue increments (decrements) made after the initial regulatory determination via approved pass throughs.

Consistent with our standard approach, our draft decision is to not exclude these expenditure categories from the EBSS on the grounds of uncontrollability. The EBSS explanatory statement outlined our reasoning for this approach, as detailed in the following passage:<sup>30</sup>

*By including such costs in the EBSS, uncontrollable cost decreases or increases are shared between NSPs and consumers in the same way as any efficiency gain or loss (that is, approximately 30:70 with a five-year carryover period). If we excluded such costs, uncontrollable cost increases would be shared in the same way as an efficiency loss would be without an EBSS. Without an EBSS, NSPs' share of cost increases differs across the regulatory control period. We saw no reason why uncontrollable cost increases should be shared differently between NSPs and consumers in different regulatory years.*

While some events may be uncontrollable, NSPs usually have some control over the costs associated with such events. Allowing exclusions would reduce the incentive to respond to such events efficiently. Any material risks can be managed through pass through events and contingent projects. We do not think there is a compelling argument to share the cost of uncontrollable events differently to all other costs facing NSPs.

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<sup>28</sup> TasNetworks, *Combined Proposal 2024–2029, Attachment 17 Pass through events*, January 2023, pp. 7–8.

<sup>29</sup> AER, *Draft Decision TasNetworks Electricity Transmission Determination 2024 to 2029 Attachment 13, Pass Through Events*, September 2023.

<sup>30</sup> AER, *Explanatory Statement – Efficiency benefit sharing scheme for electricity network service providers*, November 2013, p. 21.

We note that the nature of the uncontrollable event will determine whether the EBSS impact is positive or negative. For example, recurrent cost increases will result in a lower EBSS carryover but a one-off cost increase will result in a higher EBSS carryover. If the costs associated with the uncontrollable event are excluded from the EBSS, the network service provider would not register an incremental efficiency gain or loss in any year. The network service provider would bear 100% of the costs of the uncontrollable event. Consequently, the network service provider would be better off if the costs of the non-recurrent uncontrollable event were included in the EBSS.<sup>31</sup>

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<sup>31</sup> AER, *Explanatory Statement – Efficiency benefit sharing scheme for electricity network service providers*, November 2013, pp. 22–23.

## Shortened forms

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CPI	Consumer price index
EBSS	Efficiency benefit sharing scheme
ISP	Integrated system plan
NCIPAP	Network Capability Incentive Parameter Action Plan
NER	national electricity rules
NTP	Network Transmission Planning
opex	operating expenditure
REZ	Renewable Energy Zone
NSP	Network service provider
TNSP	transmission network service provider

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