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Lodged via email: [AERPricing@aer.gov.au](mailto:AERPricing@aer.gov.au).

## **AER's Proposed pricing methodology guidelines**

Transgrid welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) draft Electricity transmission network service providers (**TNSP**) Proposed pricing methodology guidelines. The amendments are a response to the Australian Energy Market Commission's (**AEMC**) final rule (**Final Rule**) for *Providing flexibility in the allocation of interconnector costs*. The final rule provides a mechanism which enables the allocation of interconnector costs between regions in the National Electricity Market as specified in agreements between Ministers.

Transgrid is the Co-ordinating Network Service Provider (CNSP) for the New South Wales market region. This means that Transgrid applies its pricing methodology to determine the transmission prices that are to be charged in the New South Wales market region in accordance with Rule 6A.29.

The proposed amendments set out the information the AER requires to assess whether electricity transmission networks' pricing methodologies are consistent with the requirements of the final rule. We support the AER's decision to collect this additional information through additional data requirements (published for consultation alongside the AER's proposed pricing methodology guidelines).

We broadly agree that the proposed AER amendments are in line with the AEMC's Final Rule. However, there are several elements of the proposed changes we encourage the AER to provide further clarification on. These are listed below.

### **1. Transgrid's pricing methodology**

The AER proposed amendments are unclear on whether TNSPs are required to update their current pricing methodologies for the final amendments once the AER finalises the changes.

Apart from updating the pricing methodology as currently required by the current Rules, we are assuming that TNSPs are not required to update their current pricing methodology for the latest changes until such a time there is an interconnector cost allocation agreement that affects their region.

We would encourage the AER to clarify this and confirm whether our understanding is correct.

## 2. Other distortions

The AER has outlined in paragraph 2.9(a)(6) of their proposed pricing methodology that a TNSP is required to demonstrate *how it will avoid double counting and other distortions*. This is consistent with the Final Rules.

For TNSPs to demonstrate this, we are assuming that the following would satisfy this criterion:

- The optimised replacement cost (**ORC**) of the transmission system assets specified in the relevant interconnector cost allocation agreement must be taken to be zero.
- The revenue split between transmission service categories must remain the same.

We would welcome further clarification from the AER and confirmation on whether our understanding is correct.

We look forward to working with the AER to continue to ensure that any proposed amendments are fit-for-purpose and are in the best interest of consumers. If you or your staff require any further information or clarification on this submission, please contact Zainab Dirani, Policy Manager at

Yours faithfully

Monika Moutos  
General Manager of Regulation, Policy and Governance