

Explanatory statement

Final decision

Transmission pricing methodology guidelines and information collection:

Providing flexibility in the allocation of
interconnector costs

July 2025

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AER reference: AER24010172

Amendment record

Version	Date	Pages
Version 1	3 July 2025	22

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1 Overview

On 3 October 2024, the Australian Energy Market Commission (AEMC) made the final rule for *Providing flexibility in the allocation of interconnector costs* (final rule).¹

The final rule does not alter the existing pathway for allocating interconnector² costs between jurisdictions.³ However, the final rule provides an alternative mechanism which enables implementation of an interconnector cost allocation agreement (allocation agreement) made between Ministers in respect of a new regulated interconnector.⁴

The final rule required the AER by 3 July 2025 to review, and where considered necessary, amend and publish the pricing methodology guidelines and information guidelines, to take into account the final rule.⁵

On 1 April 2025 we published the proposed pricing methodology guidelines and data requirements with an explanatory statement for stakeholder input, in accordance with the transmission consultation procedures.⁶

We received submissions from Energy Networks Australia (ENA), Marinus Link, Transgrid and TasNetworks. Submissions asked for clarification on a number of specific issues—we discuss these in sections 3.1.2 and 3.2.1—but were either broadly supportive of the proposed pricing methodology guidelines and data requirements⁷ or otherwise did not raise substantive concerns with our proposed amendments.⁸

On 3 July 2025, we published the final pricing methodology guidelines and data requirements. The final pricing methodology guidelines and data requirements, along with this explanatory statement, incorporate feedback from the written submissions we received.

Where an allocation agreement is made in the future, the relevant transmission network service providers (TNSP), including TNSPs for interconnectors and coordinating network service providers (CNSPs), must submit to us pricing methodologies amended to reflect the allocation agreement. We would then assess the amended pricing methodologies against the

¹ AEMC, *Final Determination: Flexibility in the allocation of interconnector costs*, 3 October 2024; <https://www.aemc.gov.au/rule-changes/providing-flexibility-allocation-interconnector-costs>

² The National Electricity Rules defines an interconnector as “[a] transmission line or group of transmission lines that connects the transmission networks in adjacent regions.”

³ In the Basslink conversion draft decision, we noted that a transmission network service provider for an interconnector would determine the allocation of its aggregate annual revenue requirement (AARR) between the interconnected regions. However, the National Electricity Rules do not empower the AER to approve such an allocation. See AER, *Draft decision: Basslink conversion*, 17 December 2024, p. 18.

⁴ AEMC, *Final Determination: Flexibility in the allocation of interconnector costs*, 3 October 2024, p. i.

⁵ National Electricity Rules (NER), cl. 11.175.2(a). Since the final rule was made, clause 11.175.2 has been amended to remove reference to the information guidelines.

⁶ NER, cl. 6A.20 and 11.175.2(b).

⁷ Transgrid, *Transgrid submission to AER’s methodology*, 20 May 2025, p. 1; Marinus Link, *Marinus Link submission on proposed transmission pricing methodology guideline*, 20 May 2025 p. 1.

⁸ ENA, *ENA response AER pricing methodology for new I/C agreements*, 20 May 2025; TasNetworks, *PUBLISHED: Proposed pricing methodology guidelines and information templates*, 20 May 2025.

requirements of the National Electricity Rules (NER) (including the final rule) and our pricing methodology guidelines.

NOTE: In this explanatory statement, the ‘pricing methodology guidelines’ and ‘information guidelines’ apply only to electricity transmission networks regulated under Chapter 6A of the NER. This is consistent with the scope of our tasks under the final rule as described above.

1.1 Summary

Consistent with our draft decision,⁹ our final decision is that the pricing methodology guidelines need to be updated to:

- set out the information we require to assess whether pricing methodologies are consistent with the requirements of the final rule
- better reflect concepts and definitions that the final rule introduced or amended.

We do not consider the 2022 pricing methodology guidelines¹⁰ provide sufficient guidance to TNSPs, including TNSPs for interconnectors and CNSPs, on the information we would require to assess pricing methodologies against the requirements of the final rule. We consider that providing this guidance will facilitate the ability of TNSPs, including TNSPs for interconnectors and CNSPs, to put forward pricing methodologies which reflect allocation agreements and meet the requirements of the final rule.

Also consistent with our draft decision,¹¹ we consider in our final decision that it is necessary to update our information collection due to the final rule. This is because we do not currently collect information regarding the recovery of interconnector costs in the relevant jurisdictions. We consider collecting this information would enable us to monitor whether pricing methodologies are facilitating the intended cost allocation of an allocation agreement, where one is in place, and in relation to the inputs to regulated transmission prices more generally.

We consider it appropriate to collect this additional information through additional data requirements in the Annual Information Orders for TNSPs (the Orders¹²). We consider collecting this additional information through the Orders provides synergies with our general approach to collecting other transmission information through the Orders. Importantly, the AEMC finalised a rule change on 27 March 2025 to remove the obligations on the AER to publish transmission information guidelines and on electricity TNSPs to report against these information guidelines.¹³

⁹ AER - Explanatory statement - Proposed transmission pricing methodology guidelines and information collection - interconnector cost allocation rule change - 1 April 2025, p. 1.

¹⁰ We last updated the pricing methodology guidelines in 2022. See our website for more information: <https://www.aer.gov.au/industry/registers/resources/guidelines/pricing-methodology-guidelines-2022-system-strength-pricing>

¹¹ AER - Explanatory statement - Proposed transmission pricing methodology guidelines and information collection - interconnector cost allocation rule change - 1 April 2025, p. 2.

¹² We would need to amend the Orders to collect this information; AER final decision on the Annual Information Orders (5 April 2024); <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review/final-decision>

¹³ <https://www.aemc.gov.au/rule-changes/removing-requirement-publish-transmission-information-guidelines>

Section 2 of this explanatory statement provides background on the final rule and its purpose. Section 2 also summarises the key changes to the NER introduced by the final rule, particularly the requirements for the AER.

Section 3.1 sets out the details of our amendments to the pricing methodology guidelines, and reasons for these changes (including having regard to the submissions we received). Section 3.2 sets out our approach to collecting information relevant to the final rule and the supporting reasons, which also has regard to the submissions we received.

2 Background

2.1 The rule change request

As set out in the final rule determination, interconnectors are necessary to the interconnection and supply of energy between National Electricity Market (NEM) regions. As a result, interconnectors provide net benefits to consumers and are essential to the optimal development of the transmission system during the transition to net zero.¹⁴

The rule change was initiated in March 2024 to introduce greater flexibility in allocating costs for critical interconnectors across NEM regions. In particular, it was proposed to address issues limiting the ability of TNSPs and jurisdictions to progress interconnector projects which would have net benefits, including:¹⁵

- The existing rules were unclear or inapplicable for interconnectors spanning Commonwealth waters (for example, between Victoria and Tasmania).
- Cost recovery by an interconnector may result in a material bill impact to one or both jurisdictions and the relevant electricity consumers.
- Jurisdictional agreement and support may be required to address uncertainty and enable transmission projects with national significance to proceed.

Ministers proposed a new framework be included in the NER to address these issues.¹⁶ The proposed amendments were to give effect to inter-governmental agreements on interconnector cost allocation. Ministers considered this would provide an alternate path to the existing regulatory framework, where the existence of such allocation agreements was not contemplated.^{17, 18}

2.2 Final rule and requirements for the AER

The AEMC made a final rule on 3 October 2024 following its consultation process. This provided a new pathway for implementing allocation agreements between jurisdictions without altering the existing framework for allocating interconnector costs.¹⁹ This rule will take effect from 3 July 2025.

¹⁴ AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 1.

¹⁵ AEMC, *Rule change request - providing flexibility in the allocation of interconnector costs*, October 2023, pp. 3-4; AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 1.

¹⁶ The Honourable Chris Bowen MP, Minister for Climate Change and Energy, The Honourable Lily D'Ambrosio MP, Victorian Minister for Energy and Resources, and The Honourable Nick Duigan MLC, Tasmanian Minister for Energy and Renewables.

¹⁷ AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, pp. 1 and 45.

¹⁸ AEMC, *Rule change request - providing flexibility in the allocation of interconnector costs*, October 2023, pp. 3-4.

¹⁹ AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 1.

2.2.1 Requirements for the AER under transitional rules

Under the final rule we were required to give effect to the transitional arrangements it sets out. We are required to review and, where we consider it necessary or desirable to reflect the final rule, amend and publish by 3 July 2025:²⁰

- the pricing methodology guidelines
- the information guidelines.

If we consider it necessary or desirable to amend one or both of these guidelines, we must comply with the transmission consultation procedures in amending the guidelines.²¹

This explanatory statement is a part of our process in meeting these requirements.

As we noted earlier, the AEMC's rule change from 27 March 2025 removed the obligations on the AER to publish transmission information guidelines and on electricity TNSPs to report against these information guidelines. The AEMC thus also removed the requirement for us to review and, where we consider it necessary or desirable to reflect the final rule, amend and publish the information guidelines by 3 July 2025.²²

We are therefore considering information collection in terms of the Orders (see section 3.2).

2.2.2 Ongoing requirements for the AER

We have ongoing requirements under the final rule, in the event an allocation agreement is made by Ministers. In this case, an allocation agreement would need to be submitted to the AER by a TNSP with a new or amended pricing methodology.

The final rule sets out the regulatory processes, including the timing, that will apply when we assess new or amended pricing methodologies submitted with a new cost allocation agreement.²³ Before we decide to approve such new or amended pricing methodologies, we will be required to consult with other TNSPs responsible for implementing the allocation agreement.²⁴

Our role in approving TNSP pricing methodologies is limited to ensuring the pricing methodology gives effect to an allocation agreement and continues to comply with the requirements for a pricing methodology under Chapter 6A.²⁵ The final rule also requires us to assess an allocation agreement against implementation criteria, which are defined in the final

²⁰ NER, cl. 11.175.2(a).

²¹ NER, cl. 6A.20 and 11.175.2(b).

²² AEMC, National Electricity Amendment (Removing the requirement to publish transmission information guidelines) Rule 2025 No. 4, p. 3.

²³ Consistent with what we said in our draft decision, the process depends on whether a new or amended pricing methodology and allocation agreement are submitted as part of a regulatory proposal or during a regulatory control period. AER - Explanatory statement - Proposed transmission pricing methodology guidelines and information collection - interconnector cost allocation rule change - 1 April 2025, pp. 5–6.

²⁴ NER, cl. 6A.15.2(e).

²⁵ AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 32.

rule.²⁶ The following are the implementation criteria that an allocation agreement must satisfy:²⁷

- the allocation agreement must be made for the purposes of clause 6A.29.4 of the NER.²⁸
- the allocation agreement must identify the interconnector it relates to (known as the specified interconnector).
- the specified interconnector must be a qualifying interconnector (defined in clause 6A.29.4(a) of the NER).
- services provided by the specified interconnector must not, at any time after the start of the first implementation year, be market network services.
- the allocation agreement must include all parties to the agreement, specifically each relevant Minister for each region interconnected by the specified interconnector and the Minister for any other region whose CNSP will be responsible for allocating an interconnector transfer amount²⁹ under the allocation agreement.
- the allocation agreement must be binding and executed as a deed and must not be subject to any unfulfilled conditions.
- the allocation agreement must specify:
 - the transmission system assets to which clause 6A.29.4(g)³⁰ of the NER applies.
 - the TNSP for the specified interconnector.
 - each CNSP responsible for allocation of an interconnector transfer amount under the allocation agreement.
 - each implementation year applicable to the allocation agreement.
 - the interconnector transfer amount in each implementation year or the manner in which that amount will be calculated.
- a certified copy of the allocation agreement must have been provided to the TNSP and each responsible CNSP.
- where a responsible CNSP's region contains the Australian Capital Territory (ACT), the allocation agreement must contain a statement confirming that the Minister for the ACT has been consulted in relation to the allocation agreement.

²⁶ AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 31.

²⁷ NER, cl. 6A.29.4(b).

²⁸ Clause 6A.29.4 of the NER sets out general requirements regarding allocation agreements (including the implementation criteria).

²⁹ Chapter 10 of the NER defines the interconnector transfer amount as “[a]n amount specified in, or calculated in accordance with, an interconnector cost allocation agreement.” It facilitates the allocation of interconnector costs between regions as intended by the Ministers of those regions. The AEMC provides a number of examples in AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, pp. 66–70.

³⁰ Clause 6A.29.4(g) of the NER states that a CNSP must set the optimised replacement cost of transmission system assets specified in the allocation agreement to zero when calculating modified load export charges. It is one of the clauses in the final rule required to avoid double counting and other distortions (see also section 3.1.2.4).

Beyond assessing an allocation agreement against the implementation criteria, the AER is not empowered to assess the merits of allocation agreements. The AEMC considered jurisdictions are well placed and motivated to assess whether allocation agreements serve the interests of the consumers in their jurisdictions.³¹

³¹ AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 31.

3 Final amendments to the AER's guidelines

We were required by the final rule to review and, where we consider it necessary or desirable, amend and publish our pricing methodology guidelines and information guidelines to take into account the final rule. We set out below the final changes we consider necessary to take account of the new requirements for TNSPs, including TNSPs for interconnectors and CNSPs, that will come into effect if an allocation agreement is entered into.

3.1 Transmission pricing methodology guidelines

Below we outline the main amendments to the pricing methodology guidelines and our reasons for these amendments. We consider that where allocation agreements are in place these changes will:

- ensure compliance with the requirements in the final rule
- assist TNSPs, including TNSPs for interconnectors and CNSPs, in their preparation of proposed pricing methodologies
- provide transparency to us and stakeholders and assist our assessment of proposed pricing methodologies.

Sections 3.1.1 summarises our substantive amendments to the pricing methodology guidelines. Section 3.1.2 summarises our engagement with stakeholders since the draft decision and our responses, including on issues that are not directly outlined in the pricing methodology guidelines or which relate to the application of the pricing methodology guidelines.

3.1.1 Substantive amendments to the pricing methodology guidelines

Our final pricing methodology guidelines³² largely retain the amendments from the proposed pricing methodology guidelines,³³ but include a number of clarifying amendments in response to submissions (see section 3.1.1.3).

Sections 3.1.1.1 to 3.1.1.3 set out these substantive amendments and provide a brief summary of our reasons. The explanatory statement for the proposed pricing methodology guidelines (our draft decision) sets out our reasons in more detail.³⁴

³² AER - Pricing methodology guidelines - 3 July 2025.

³³ AER - Proposed pricing methodology guidelines - Interconnector cost allocation rule change (MARKED UP) - 1 April 2025.

³⁴ AER - Explanatory statement - Proposed transmission pricing methodology guidelines and information collection - interconnector cost allocation rule change - 1 April 2025, pp. 7–9.

3.1.1.1 The new definition of total regional AARR

We updated paragraphs 2.1(b), (c) and (e)³⁵ to reflect the new definition of total regional aggregate annual revenue requirement (total regional AARR), which will apply to CNSPs.

A CNSP is responsible for allocating the total regional AARR for its region to services, under the final rule. The total regional AARR is a new concept referring to all those amounts a CNSP will be required to allocate for its region (to ultimately determine prices for prescribed transmission services).

We consider these changes are consistent with the requirements of the final rule under clauses 6A.29.1 and 6A.29.2(a).

3.1.1.2 Details on deriving total regional AARR

Following from our amendments to paragraph 2.1(b), we added a new paragraph 2.1(d) to reflect amendments in the final rule regarding the responsibilities of CNSPs.³⁶

We require CNSPs to detail how they determine the total regional AARR, including how any interconnector transfer amount will be calculated and incorporated into the total regional AARR. We also require CNSPs to provide hypothetical examples of how the total regional AARR will be derived to provide transparency. We expect this to assist in the CNSP's preparation of the proposed pricing methodology and our assessment.

Following from this, we removed paragraph 2.6(a) of the 2022 pricing methodology guidelines as it duplicates the requirements in paragraph 2.1(d) of the final pricing methodology guidelines.

3.1.1.3 New section on requirements relating to allocation agreements

We added a new section 2.9 to the pricing methodology guidelines to reflect the requirements that will apply when allocation agreements are entered into. We expect these requirements to assist TNSPs in preparing pricing methodologies when an allocation agreement is in place.

Section 2.9 contains separate requirements for a TNSP for a specified interconnector (paragraph 2.9(a)) and the CNSP for a relevant region (paragraph 2.9(b)) specified under an allocation agreement. As we discuss in sections 3.1.2.1, 3.1.2.4 and 3.1.2.5, we made a number of clarifying amendments in paragraph 2.9(b) in response to submissions.

3.1.2 Stakeholder feedback on the proposed pricing methodology guidelines and our responses

3.1.2.1 Application of paragraph 2.9 of the pricing methodology guidelines

As the ENA requested in its submission,³⁷ we confirm that paragraph 2.9(b) of the pricing methodology guidelines will only apply to CNSPs that are responsible for allocating an

³⁵ This is paragraph 2.1(d) in the 2022 pricing methodology guidelines. This has been renumbered to 2.1(e) due to the inclusion of a new paragraph 2.1(d) as we discuss in section 3.1.1.2. These changes also apply to section 3.1.1.3.

³⁶ NER, cl. 6A.22.5.

³⁷ ENA, *ENA response AER pricing methodology for new I/C agreements*, 20 May 2025.

interconnector transfer amount under an allocation agreement that commences after 3 July 2025.

To avoid doubt, we included the underlined words in paragraph 2.9(b) of the final pricing methodology guidelines:

If a *TNSP* is, or has been appointed as a *CNSP* in its *region*, and is responsible for allocation of an interconnector transfer amount calculated under an interconnector cost allocation agreement, the *CNSP*'s proposed pricing methodology must:...

3.1.2.2 Applicable TNSPs

ENA recommended that we clarify whether or not the new defined terms from the final rule and new information templates apply to a TNSP who is not a CNSP, such as AusNet and Ausgrid. ENA stated these TNSPs have pricing methodologies but are outside the scope of the new arrangements.³⁸

We consider we made the substantive amendments in our final pricing methodology guidelines—as we summarised in section 3.1.1—only to the extent necessary to incorporate the requirements of the final rule.

We confirm these substantive amendments apply only to either CNSPs or TNSPs for a specified interconnector as spelt out in our final pricing methodology guidelines. Where TNSPs are neither a CNSP nor a TNSP for a specified interconnector, the amendments in our final pricing methodology guidelines do not change or affect the TNSPs' already existing obligations under the pricing methodology guidelines.

3.1.2.3 When pricing methodologies need to be updated

A number of submissions requested we clarify when TNSPs would need to incorporate the new requirements and terminology from the final rule into their pricing methodologies.

Transgrid stated it was unclear whether TNSPs are required to update their current pricing methodologies once the AER finalises its amendments to the pricing methodology guidelines. Transgrid assumed TNSPs are not required to update their current pricing methodologies until there is an allocation agreement that affects their region.³⁹

Similarly, ENA asked for confirmation that the new defined term “total regional AARR” will be introduced in a TNSPs' pricing methodology at the time of its next revenue proposal where they are the CNSP or if a new government interconnector cost allocation agreement comes into effect before the next regulatory control period.⁴⁰

We confirm that a TNSP (who is not a CNSP) must update its pricing methodology for the requirements of the final rule only when it is named as a TNSP for a specified interconnector in an allocation agreement. This is set out in the instructions to paragraph 2.9(a) in the final pricing methodology guidelines.

³⁸ ENA, *ENA response AER pricing methodology for new I/C agreements*, 20 May 2025.

³⁹ Transgrid, *Transgrid submission to AER's methodology*, 20 May 2025, p. 1.

⁴⁰ ENA, *ENA response AER pricing methodology for new I/C agreements*, 20 May 2025.

However, we consider that paragraph 2.1(d) of the final pricing methodology guidelines—which we discussed in section 3.1.1.2—applies to CNSPs regardless of whether they are specified in an allocation agreement or not.

The “total regional AARR” is a new term introduced in the final rule to distinguish between the AARR for an individual TNSP and the total AARR (including any interconnector transfer amounts) that a CNSP allocates for a region.⁴¹ While it is a new term, it is not necessarily a new concept because the NER already required CNSPs to derive the total AARR for a region to calculate prices for that region.⁴² Hence, the term “total regional AARR” is a relevant concept for the derivation of prices for prescribed transmission services whether there is an allocation agreement or not.

We therefore consider CNSPs should introduce the term “total regional AARR” and any subsequent necessary changes into their pricing methodologies for consistency with the final rule.

However, we do not require CNSPs to include these changes in their pricing methodologies until their next transmission determination (unless the CNSP is specified in an allocation agreement).⁴³ We consider this is practical because:

- the final rule does not require any TNSP to amend its pricing methodology after 3 July 2025 unless an allocation agreement is in place.⁴⁴
- the final rule does not otherwise appear to affect the practical operation of the pricing provisions in Part J of Chapter 6A of the NER unless an allocation agreement is in place.

3.1.2.4 Avoiding double counting and other distortions

Transgrid noted paragraph 2.9(b)(3)⁴⁵ of the proposed pricing methodology guidelines required a TNSP to demonstrate how it will avoid double counting and other distortions, consistent with the Final Rules. Transgrid requested clarification whether the following would satisfy this criterion:⁴⁶

- “The optimised replacement cost (ORC) of the transmission system assets specified in the relevant interconnector cost allocation agreement must be taken to be zero.

⁴¹ AEMC, *Rule determination Flexibility in the allocation of interconnector costs*, 3 October 2024, p. v.

⁴² The old NER clause 6A.29.1(a)(1) states that one of the responsibilities of a CNSP is “the allocation of all relevant AARR within that region.” This is equivalent to the new NER clause 6A.29.2(a)(1) which states that one of the responsibilities of a CNSP is “the allocation of the total regional AARR for its region”. The difference is the final rule allows for interconnector transfer amounts through the definition of total regional AARR in NER clause 6A.22.5.

⁴³ AER, *File note - AER-TNSP discussion on pricing methodology updates*, 7 May 2025.

⁴⁴ NER, cll. 6A.10.1(j) and 6A.15.2; AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, pp. 28 and 32.

⁴⁵ Transgrid’s submission refers to paragraph 2.9(a)(6) of the proposed pricing methodology guidelines. Transgrid subsequently confirmed that correct reference should be to paragraph 2.9(b)(3) of the proposed pricing methodology guidelines, which applies to CNSPs responsible for allocation of an interconnector transfer amount calculated under an interconnector cost allocation agreement. Transgrid, *Email: RE: Transgrid submission to AER’s methodology*, 3 June 2025.

⁴⁶ Transgrid, *Transgrid submission to AER’s methodology*, 20 May 2025, p. 2.

- The revenue split between transmission service categories must remain the same.”

We consider the first point relating to the ORC is broadly consistent with clause 6A.29.4(g) of the NER, which the final rule requires CNSPs to observe as a means to avoid double counting and other distortions. This clause states that a CNSP must set the optimised replacement cost of transmission system assets specified in the allocation agreement to zero when calculating modified load export charges.⁴⁷

The second point appears to be consistent with clause 6A.22.3(e) of the NER. This clause states that any interconnector transfer amount that affects the total regional AARR does not change the ratios in which the total regional AARR is to be allocated to each category⁴⁸ of prescribed transmission services.⁴⁹

Clauses 6A.22.3(e) and 6A.29.4(g) appear to be consistent with each other. Setting the optimised replacement cost of transmission system assets specified in the allocation agreement to zero would result in the same allocation of the total regional AARR to each category of prescribed transmission services as without the allocation agreement.⁵⁰

However, we cannot definitively clarify at this stage whether Transgrid’s points as they are worded are sufficient to satisfy the requirements of paragraph 2.9(b)(3) of the pricing methodology guidelines. We note that paragraph 2.9(b)(3) refers both to clauses 6A.29.4(g) and (i) of the NER, and Transgrid’s points do not comment on clause 6A.29.4(i). More broadly, we would need to consider a TNSP’s application of the requirement in paragraph 2.9(b)(3) in the context of the TNSP’s pricing methodology, as well as the requirements of the allocation agreement.

We also note that paragraph 2.9(b)(3) asks a TNSP to “explain” how it will avoid double counting and other distortions. As pricing methodologies are also a TNSP’s document for explaining prices for prescribed transmission services to stakeholders, we consider it would be useful for pricing methodologies to describe how the TNSP avoids double counting and other distortions. We consider hypothetical examples are an effective way to demonstrate this. To avoid doubt, we included the underlined words in paragraph 2.9(b)(3) of the final pricing methodology guidelines:

explain, with hypothetical examples, how the CNSP will avoid double counting and other distortions as set out in clauses 6A.29.4(g) and(i) of the National Electricity Rules.

3.1.2.5 Timetable for providing information to CNSPs

Marinus Link largely supported the proposed pricing methodology guidelines, except for paragraph 2.9(b)(1) which requires a CNSP to:

⁴⁷ Modified load export charges are defined in Chapter 10 of the NER as charges received by or payable to the CNSP in a region by or to a CNSP in an interconnected region calculated under clause 6A.29A.2.

⁴⁸ These are prescribed entry services, prescribed exit services, prescribed common services and prescribed TUOS services (NER, Chapter 10).

⁴⁹ AEMC, *Rule determination Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 26.

⁵⁰ See also NER, cll. 6A.22.3(b)–(d), 6A.23.2 and 6A.29.2(a).

specify the timetable for provision of all necessary information to it for the implementation of any *interconnector cost allocation agreement*.

Marinus Link did not consider this requirement as necessary or appropriate because clause 6A.29.4(d) of the final rule requires the TNSP for the specified interconnector to provide the relevant information to the CNSP annually by 15 February.⁵¹

Marinus Link did not consider it appropriate for the CNSP to specify its own timetable that could potentially conflict with the final rule and recommended simply citing clause 6A.29.1A(c) of the NER requiring:⁵²

“Each [TNSP] within a *region* (not being the [CNSP] for the *region*) must provide its calculation of its *AARR* for the *region* and other information reasonably requested by the [CNSP] for that *region* to enable the [CNSP] to properly perform its functions under this Part J.”

We acknowledge the final rule does not explicitly require CNSPs to specify a timetable for the provision of information related to allocation agreements. Further, we acknowledge that the final rule requires the TNSP for a specified interconnector to notify the interconnector transfer amount to each relevant CNSP⁵³ and to promptly provide information reasonably requested by a relevant CNSP to enable the CNSP to properly perform its functions with respect to implementation of an allocation agreement.⁵⁴ The CNSP’s timetable cannot alter these requirements. However, we consider a timetable provides a transparent way to request the necessary information to be provided on time.

As such, to address the potential conflict between the final rule and the CNSP’s specified timetable raised by Marinus Link, we included the underlined words in paragraph 2.9(b)(1) of the final pricing methodology guidelines:

(1) specify an indicative timetable for provision of all necessary information to it for the implementation of any *interconnector cost allocation agreement* that is consistent with the timing requirements in the *National Electricity Rules*.

With these amendments, when setting a timetable under paragraph 2.9(b)(1) in its pricing methodology, the CNSP must be consistent with the timing requirements already specified in the NER and cannot alter these requirements.

Further, when we consult on amendments to the CNSP’s pricing methodology arising out of new allocation agreements, other TNSPs responsible for implementing the relevant allocation agreement (and other persons that we consider it is appropriate for us to consult with) can raise any concerns about the CNSP’s proposed timetable under paragraph 2.9(b)(1). If an amended pricing methodology is submitted with a new allocation agreement

⁵¹ Marinus Link, *Marinus Link submission on proposed transmission pricing methodology guideline*, 20 May 2025, p. 1.

⁵² Marinus Link, *Marinus Link submission on proposed transmission pricing methodology guideline*, 20 May 2025, p. 2.

⁵³ NER, cl. 6A.29.4(d).

⁵⁴ NER, cl. 6A.29.4(e).

as part of a transmission determination, other interested stakeholders can also raise any concerns.⁵⁵

We expect timetables to be simple to implement because the pricing methodology guidelines already require CNSPs to specify a timetable for the provision of information related to modified load export charges (see section 2.6(d)).⁵⁶

3.1.2.6 Applying the interconnector transfer amount

TasNetworks asked the AER how to apply a cost allocation when the new interconnector is commissioned without a cost allocation agreement.⁵⁷

We confirm that the equivalent of the previously existing interconnector cost allocation framework in the NER will apply when jurisdictions have not made an agreement on the allocation of interconnector costs.⁵⁸ That is, the TNSP for an interconnector must determine the allocation of its AARR between the interconnected regions under clause 6A.29.1A(a) of the NER. The NER does not empower the AER to approve such an allocation.⁵⁹

TasNetworks then asked how to determine a region's cost allocation when a newly commissioned interconnector has a cost allocation agreement established for its first revenue recovery years.⁶⁰ TasNetworks stated:

Where a new interconnector commences operation with an interconnector cost allocation agreement already in place, no “baseline” cost allocation would exist prior to the agreement. In such cases, we seek clarification of the interaction between Clause 6A.22.5(b) and Clause 6A.22.5(d), and how the baseline [AARR] for the interconnector TNSP should be calculated.

It is our understanding that the interconnector transfer amount (d) would represent the total amount that the CNSP will recover for the interconnector TNSP, but it is unclear how this interacts with item (b) when no historical baseline exists.

This clarification is also pertinent to the application of Clause 6A.22.3(e), which requires the attributable cost share to be calculated “without regard to whether the total regional AARR is affected by the interconnector transfer amount” and “as it would have been if the total regional AARR had not been affected by the interconnector transfer amount.”

⁵⁵ NER, cll. 6A.10.1(j) and 6A.15.2; AEMC, Final Determination - Flexibility in the allocation of interconnector costs, 3 October 2024, pp. 28 and 32.

⁵⁶ AER, *Proposed pricing methodology guidelines - Interconnector cost allocation rule change (MARKED UP)*, 1 April 2025, p. 18.

⁵⁷ TasNetworks, *PUBLISHED: Proposed pricing methodology guidelines and information templates*, 20 May 2025.

⁵⁸ AEMC, *Rule determination Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 12.

⁵⁹ See our reasoning in AER, Draft decision: Basslink conversion, 17 December 2024, p. 18.

⁶⁰ TasNetworks, *PUBLISHED: Proposed pricing methodology guidelines and information templates*, 20 May 2025.

As we noted earlier, the TNSP for an interconnector must determine the allocation of its AARR to the interconnected regions under clause 6A.29.1A(a) of the NER. This allocation appears to be the “baseline” cost allocation TasNetworks notes in its submission. The TNSP for an interconnector must determine this baseline allocation regardless of whether an allocation agreement has been entered into in respect of the interconnector. An allocation agreement should specify an interconnector transfer amount (or the manner in which that amount is to be calculated)⁶¹ by reference to this baseline cost allocation.⁶² As such, the interconnector transfer amount in clause 6A.22.5(d) of the NER does not represent the total amount the CNSP will recover for the interconnector TNSP, but rather a component of it.

The final rule defines ‘interconnector transfer amount’ as:

An amount specified in, or calculated in accordance with, an [*allocation agreement*] in respect of an implementation year that a [*CNSP*] is responsible for allocating in accordance with clause 6A.29.2(a) as part of the *total regional AARR*.

We consider this definition is relatively broad and provides Ministers considerable flexibility in setting out the interconnector transfer amount in an allocation agreement. It appears to be flexible enough to incorporate cases where the baseline cost allocation is known at the time the allocation agreement is entered into, and cases where the baseline cost allocation is not known at that time. Allocation agreements, including the interconnector transfer amount, will be subject to negotiation between the relevant ministers of participating regions having regard to their particular circumstances.⁶³

As we noted earlier, beyond assessing an allocation agreement against the implementation criteria, the AER is not empowered to assess the merits of allocation agreements, including interconnector transfer amounts. The AEMC considered jurisdictions are well placed and motivated to assess whether allocation agreements serve the interests of the consumers in their jurisdictions.⁶⁴

We note for completeness that (as discussed in section 3.1.2.4) clause 6A.22.3(e) provides that any interconnector transfer amount that affects the total regional AARR does not change the ratios in which the total regional AARR is to be allocated to each category of prescribed transmission services. Clause 6A.22.3(e) does not itself require consideration of how an interconnector transfer amount would affect the total regional AARR.

3.2 Information collection

We will collect information relevant to the final rule. Consistent with our draft decision, we will collect the information described below through the Orders for TNSPs.⁶⁵ Collecting such

⁶¹ NER, cl. 6A.29.4(b)(7)(v).

⁶² For examples of how interconnector transfer amounts interact with baseline cost allocations see AEMC, *Rule determination Flexibility in the allocation of interconnector costs*, 3 October 2024, pp.66–70.

⁶³ AEMC, *Rule determination Flexibility in the allocation of interconnector costs*, 3 October 2024, p. i.

⁶⁴ AEMC, *Final Determination - Flexibility in the allocation of interconnector costs*, 3 October 2024, p. 31.

⁶⁵ AER final decision on the Annual Information Orders (5 April 2024); <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review/final-decision>

information through the Orders provides synergies with our general approach to collecting other transmission information. Importantly, the AEMC has now removed rule 6A.17 from the NER. This means that the Information Guidelines and all obligations relating to the Information Guidelines no longer apply.⁶⁶

We made minor adjustments to the templates for clarity to reflect feedback from stakeholders. Specifically, we clarified further which TNSPs would be affected by the new information requirements and when the new requirements apply.⁶⁷ Section 3.2.1 discusses this further.

Starting from the 2026–27 regulatory year, we will incorporate the information described below and included in the data requirement templates⁶⁸ published with this explanatory statement into the Orders. The 2026-27 regulatory year is the first year any allocation agreement could be incorporated into transmission prices. The information we will collect annually is:

- For a TNSP named as a TNSP for a specified interconnector in an allocation agreement:
 - The title of the allocation agreement.
 - The specific details of the revenue amounts allocated to each relevant region in a given financial year as required by the allocation agreement.
 - In relation to the revenue amounts allocated to each region each financial year, how these were calculated for each region, the sum of which is to be checked against interconnectors' AARR for the given financial year.
- For all CNSPs (regardless of the existence of an allocation agreement, as we discuss in section 3.2.1), the calculated total regional AARR for a given financial year and the name of and revenue allocations from each contributing TNSP. This includes the revenue amounts from interconnectors that are allocated to the CNSP's region, and any interconnector transfer amounts.
 - We may consult further with the CNSPs to further refine these information templates to ensure our final decision is fit-for-purpose and incorporate appropriately with the other requirements of the Orders.

Data requirements

We will collect the above information (by exercising our powers under section 28F of the National Electricity Law (NEL)) to monitor compliance by CNSPs and TNSPs with their network revenue determinations. We consider the new data requirements would enable us to monitor whether pricing methodologies are facilitating the intended cost allocation of an allocation agreement, where one is in place, as well as providing further visibility on

⁶⁶ AEMC, Rule determination Removing the transmission information guidelines, 27 March 2025, p. i; See <https://www.aemc.gov.au/rule-changes/removing-requirement-publish-transmission-information-guidelines>.

⁶⁷ AER, *File note - AER-TNSP discussion on pricing methodology updates*, 7 May 2025.

⁶⁸ AER, *Annual order templates - Interconnector cost allocation rule change*, 3 July 2025.

contributors to prices for prescribed transmission services for a region. We will collect the above information through new data requirements in the Orders for TNSPs⁶⁹.

We will also formally consult (under clause 8.7.3 of the NER as required by section 28H of the NEL) on the data requirements as part of the consultation process on the Orders ahead of the 2026–27 regulatory year. This is consistent with existing AER processes for including new information requirements in the Orders. However, we anticipate our consultation in arriving at the data requirements⁷⁰ in this final decision would reduce the overall consultation burden during our formal consultation period for the Orders. That is, any changes to the data requirements should only be related to issues of detail. We consulted on the data requirements alongside the proposed pricing methodology guidelines because they are both implementing the same rule (the final rule).

We consider the information we will collect is distinct from previous transmission information collected by the AER, incorporating both the new requirements of the final rule⁷¹ and supporting principles of good regulatory practice and transparency.⁷²

Use of the Orders

We consider this approach is consistent with the AER's initiatives to use the Orders to more broadly collect information from the TNSPs.

Section 3.2 of the draft decision explanatory statement includes more detail on the expected benefits using the Orders to collect information relevant to the final rule.⁷³

3.2.1 Stakeholder feedback on the proposed data requirements and our responses

Marinus Link stated it does not have any objections to the AER's proposed approach to data collection. It also noted that the Rule change does not appear to cause any new compliance or monitoring issues.⁷⁴

⁶⁹ AER final decision on the Annual Information Orders (5 April 2024); <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review/final-decision>

⁷⁰ AER, *Annual order templates - Interconnector cost allocation rule change*, 3 July 2025.

⁷¹ The AEMC's final determination highlighted the potential for double counting to occur if an interconnector's TNSP received both payments from CNSP(s) as well as transmission prices in its own region (AEMC final determination, p 38, 4.4.3). The information considered in the templates (AER, *Annual order templates - Interconnector cost allocation rule change*, 1 April 2025) will provide us with the mechanisms to monitor if and how adjustments have been made (in reference to cl 6A.29.4(h)) - to be assessed against pricing methodologies and interconnector agreements.

⁷² In alignment with the AEMC's considerations that the final rule is in the long-term interests of consumers (AEMC final determination, p ii).

⁷³ AER, *Explanatory statement - Proposed transmission pricing methodology guidelines and information collection - interconnector cost allocation rule change*, 1 April 2025, pp. 10–12.

⁷⁴ Marinus Link, *Marinus Link submission on proposed transmission pricing methodology guideline*, 20 May 2025, p. 2.

ENA asked us to confirm that the new defined terms introduced into the new information templates do not apply to TNSPs who are not CNSPs.⁷⁵

We confirm that the 'Interconnectors' tab applies only to TNSPs for interconnectors subject to an allocation agreement. The purpose of this tab is to collect information on the implementation of allocation agreements, including interconnector transfer amounts. We therefore included the underlined text below in the instructions for the 'Interconnectors' tab:

Instructions

The TNSP for the specified interconnector as identified under the cost allocation agreement must follow the instructions below.

To avoid doubt, these requirements do not apply to a TNSP if it is not a TNSP for the specified interconnector under any interconnector cost allocation agreement.

We also confirm that the 'CNSPs' tab applies to all CNSPs whether it is a CNSP specified in an allocation agreement or not. This is because the purpose of this tab is to collect information on the total regional AARR, which all CNSPs derive in order to calculate transmission prices for their region. As we explained in section 3.1.2.3, the "total regional AARR" is a relevant concept for the derivation of prices for prescribed transmission services whether there is an allocation agreement or not.

We therefore included the underlined text below in the instructions for the 'CNSPs' tab:

Instructions

The CNSP for the region must follow the instructions below.

To avoid doubt, these requirements apply to all CNSPs in the NEM (regardless of whether it is a CNSP specified in any interconnector cost allocation agreement).

⁷⁵ ENA, *ENA response AER pricing methodology for new I/C agreements*, 20 May 2025.

Glossary

Term	Definition
AARR	Aggregate annual revenue requirement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASRR	Annual service revenue requirement
CNSP	Co-ordinating Network Service Provider
ISP	Integrated system plan
Total regional AARR	Total regional aggregate annual revenue requirement
TNSP	Transmission network service provider
TUOS	Transmission use of system