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Ms Kami Kaur
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra, ACT, 2601

Lodged via email: costpassthroughs@aer.gov.au

Dear Ms Kaur

AER's draft Network alternative support payment guideline

Transgrid welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) draft Network alternative support payment guideline (**Draft Guideline**). The purpose of this Guideline is to outline how the AER will generally approach and determine applications from transmission network service providers (**TNSP**) under rules 6A.6.6A(a) and 6A.7.2A of the National Electricity Rules (**NER**).

As the NSW TNSP, Transgrid must plan for, build, maintain and operate the backbone of the grid while meeting our obligations to maintain the safety, reliability and security of the transmission system in accordance with the NER.

We broadly support the AER's Draft Guideline and welcome its close alignment with the structure of the System Security Network Support Payment (**SSNSP**) Guideline. This alignment will make it easier for TNSPs to consistently address the requirements of the different guidelines when preparing an application to the AER.

While we support the AER's overall approach, we have concerns with certain elements of the Draft Guideline, which are outlined below.

Eligibility criteria

The Draft Guideline states that an application may only be submitted after completion of all relevant regulatory processes and must exceed one per cent of the AER's approved unsmoothed revenues in a regulatory year for the current regulatory control period.

While we acknowledge this reflects NER clause 11.183.3(b)(3)—the transitional provision for the rule—we do not consider a materiality threshold appropriate. Consistent with the network support pass through arrangements which have no materiality threshold – it is important that all non-network solution projects (of which there are only a limited number) should be able to proceed with certainty. A threshold could:

- Increase transaction costs – consumers would be impacted by smaller projects having higher transaction costs or delays due to the TNSP and network support provider negotiations having to consider this avoidable regulatory risk.
- Distort market behaviour – proponents may raise prices to meet the threshold.

The AER has indicated that the threshold would eliminate unnecessary burdens for the AER. We do not consider that a guideline without a threshold would create a significant new administrative burden on the AER given that:

1. We do not consider there would be a large volume of smaller projects. Section 3.2 of Transgrid's 2025 TAPR indicates that only a limited number of non-network solutions are expected to address emerging network needs over the next decade (it lists 15 projects over the decade). Of these, only a small subset is likely to proceed as preferred options or remain necessary¹.
2. We anticipate that network support contractual arrangements will be similar over time, allowing for an efficient review process.

Recommendation – We encourage the AER to:

- Remove the materiality threshold to incentivise investment in innovative smaller-scale non-network solutions. If the AER is minded to pursue a threshold, then we suggest the AER commence with a no threshold position and trial this for 12 months.
- Develop a standardised template² for TNSPs to use when submitting the required information, which will support consistency and help minimise assessment delays.

Portfolio assessment

The Draft Guideline requires that non-network option (**NNO**) projects submitted together in a portfolio must meet the same need **and** have substantially identical payment structures or payment methodologies.

We are concerned that this requirement does not reflect the intent of the AEMC's final Rule³. In our experience, there will be situations in which a single need can only be met by a group of NNOs that need to be considered together. This may include different generating technologies (or a demand response provider coupled with a generator etc) that by virtue of their inherent differences (i.e. different technologies) may legitimately require different payment structures. Where the underlying technologies are different then the proposed payments or payment methodologies are also likely to be different.

¹ See [Transmission Annual Planning Report 2025 | Transgrid](#).

² Similar to the AER's ring-fencing waiver application template. See <https://www.aer.gov.au/documents/aer-ring-fencing-new-energy-storage-devices-waiver-application-template-may-2023>

³ See: AEMC's [Improving the cost recovery arrangements for transmission non-network options Rule](#)

Requiring identical payment methodologies would prevent TNSPs from submitting portfolios to the AER that collectively meet a single need, reducing flexibility and market efficiency.

Recommendation – Remove the requirement for identical payment structures within a portfolio. Only the requirement to meet the same identified network need should apply.

Timeframe for AER decision

The Draft Guideline proposes 40-business-day assessment period, extendable by 60 business days if the AER identifies complex issues. The timeframe also resets if the AER requests additional information from any party.

We are concerned that the use of a ‘reset the clock’ trigger in relation to AER information requests to parties other than the relevant TNSP is unreasonable. This potentially holds the TNSP’s application to third parties who may not have an incentive to see the application approved. At a minimum, any ‘reset the clock’ event should be limited to information the AER has sought from the TNSP whose application is being assessed, and the time extension should be kept to a minimum.

There is a risk that TNSPs will not be able to execute contracts given the extensive time proposed by the AER to assess the application. Commercial offers are typically only valid for a specified number of days. For example, Transgrid could lodge an application to the AER before the contract is executed and the AER may request information and the reset the clock trigger risking the NNO proponent’s offer lapsing given the extended time period required. There is no guarantee TNSPs will be able to retain competitive contracts where the AER extends the process without adding a risk premium to the contract price (to enable it to remain valid for longer). Furthermore, any third party would not be bound by AER timeframes and could lead to lengthy processes and a viable offer could lapse or costs of contract increase due to market conditions. As mentioned above, a standardised template would assist TNSPs to provide all required information in a consistent and complete manner, thereby helping to minimise assessment delays.

Recommendation – We encourage the AER to:

- Limit “reset the clock” provisions to information requests made to the TNSP.
- Keep any extension to the minimum necessary.
- Clarify the number of times the AER may extend the assessment period – the AER should have a fixed period to make a decision.
- Provide further clarity on the number of times that the AER is able to extend the process.

Other matters requiring clarification

Further to the above concerns, we would appreciate if the AER would provide further clarification on the following matters:

- How the Guideline will apply during a regulatory proposal submission, including whether a materiality threshold would apply if a draft contract payment methodology request was included

within a regulatory proposal process. Given the AEMC's rule⁴ allows for this scenario, it would be helpful if the potential use of the Guideline during a revenue determination was considered by the AER.

- Treatment of administrative and preparation costs associated with developing non-network solution contracts within an ex-ante determination. We strongly support the inclusion of all costs that arise solely as a consequence of delivering NNO projects.

We appreciate the opportunity to provide feedback and look forward to engaging further. If you or your staff require any further information or clarification on this submission, please contact [REDACTED]

Yours sincerely

[REDACTED]

Alex McPherson
General Manager of Regulation & Policy

⁴ See: AEMC's [Improving the cost recovery arrangements for transmission non-network options Rule](#)