

NSW Electricity Infrastructure Fund

Contribution Determination Guideline

DRAFT

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AUSTRALIAN
ENERGY
REGULATOR

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1 Introduction

1.1 Who are we?

Our role is to ensure energy consumers are better off, now and in the future. We are the economic regulator for electricity and gas networks in every state and territory in Australia, except Western Australia. We regulate electricity networks under the National Electricity Law and National Electricity Rules.

We are also a regulator under the *Electricity Infrastructure Investment Act 2020* (EII Act).¹ One of our conferred functions as regulator is to make annual contribution determinations under section 56 of the EII Act. This function is the subject of this guideline.

Other functions undertaken by us under the EII Act, which are not covered by this guideline, include:

- undertaking a Transmission Efficiency Test and making revenue determinations for network infrastructure projects authorised by the consumer trustee, or authorised (or directed) by the Minister (Part 5 of the EII Act);²
- approving a risk management framework developed by the consumer trustee (Part 6 of the EII Act); and
- being consulted on tender rules in relation to long-term energy service agreements (Part 6 of the EII Act).

1.2 The NSW Roadmap

The [NSW Electricity Infrastructure Roadmap](#) (Roadmap) sets out the NSW government's plan for the transition of the electricity market in NSW. It centres on coordinating private investment in new network, generation, long-duration storage, and firming infrastructure, as ageing coal-fired generators retire.

NSW's *Electricity Infrastructure Investment Act 2020* (NSW) (the EII Act) implements the Roadmap.

The Roadmap involves various costs, including payments to network operators,² the costs associated with underwriting contracts for generation, storage and firming projects (known as long-term energy service agreements), and the administrative costs of scheme entities.³

The Scheme Financial Vehicle pays these costs from the NSW Electricity Infrastructure Fund.

¹ <https://www.aer.gov.au/communication/aer-appointed-as-regulator-of-the-nsw-renewable-energy-zones>

² Both in relation to a REZ Network Infrastructure Project or Priority Transmission Infrastructure Project, as defined under the EII Act or EII Regulations.

³ The scheme entities that recover costs under the contribution determination are the AER as a Regulator, the Consumer Trustee (AEMO Services), the Financial Trustee, the Infrastructure Planner, the NSW Environment Protection Authority as a Regulator and the NSW Independent Pricing and Regulatory Tribunal IPART as a Regulator.

1.3 The NSW Electricity Infrastructure Fund

Part 7 of the EII Act sets out a framework for costs associated with the Roadmap to be managed through an Electricity Infrastructure Fund (Fund) established by a Scheme Financial Vehicle.

The contribution determinations ensure the Fund has sufficient monies so that the Scheme Financial Vehicle can make the payments required under the EII Act.⁴

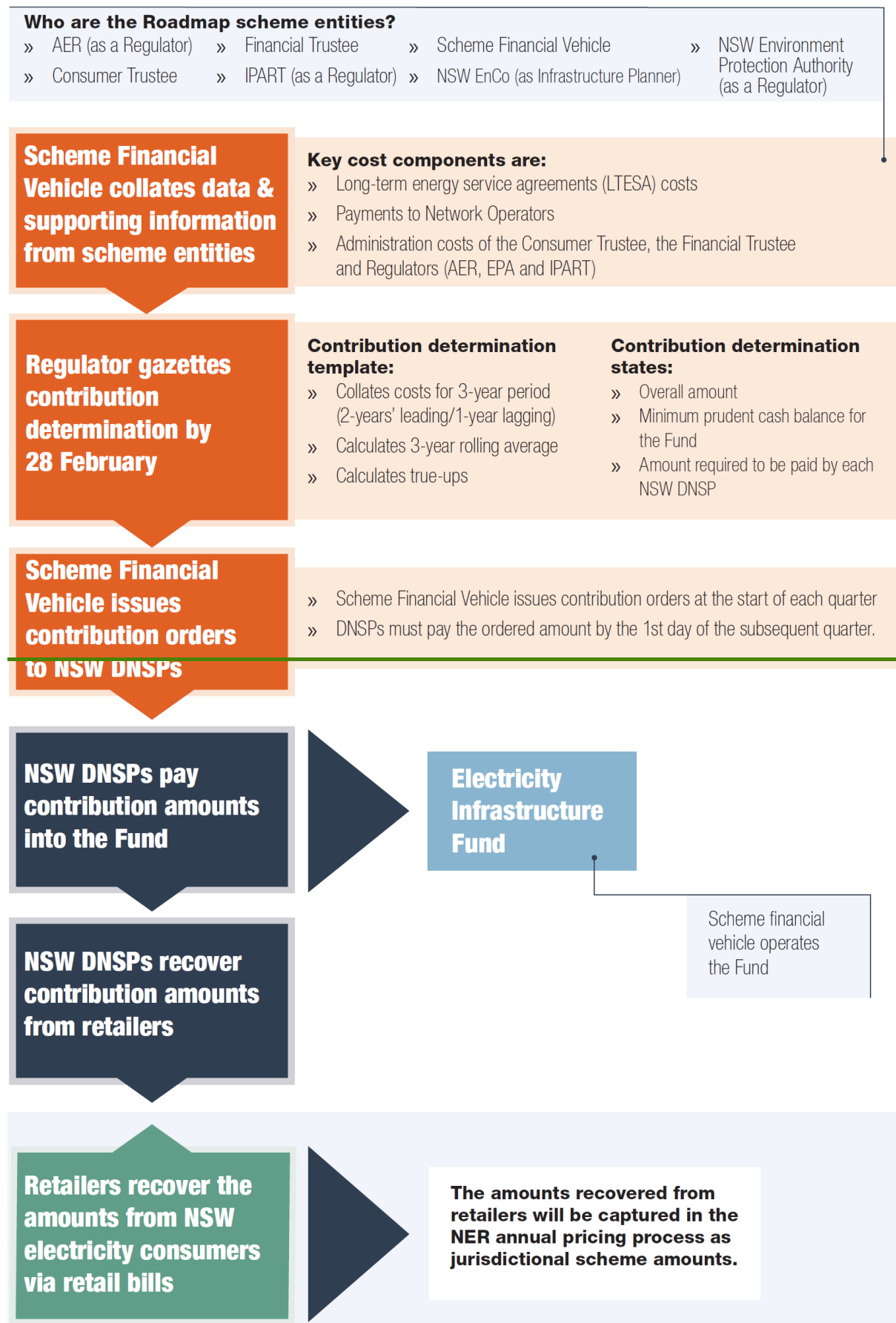
The Scheme Financial Vehicle recovers the contribution determination amount set by us as the regulator through contribution orders that it issues to NSW Distribution Network Service Providers (DNSPs), which make quarterly payments into the Fund.⁵ The NSW DNSPs pass the costs through to retailers which, in turn, recover the amounts from NSW electricity consumers through their retail bills,⁶ as illustrated in Figure 1.

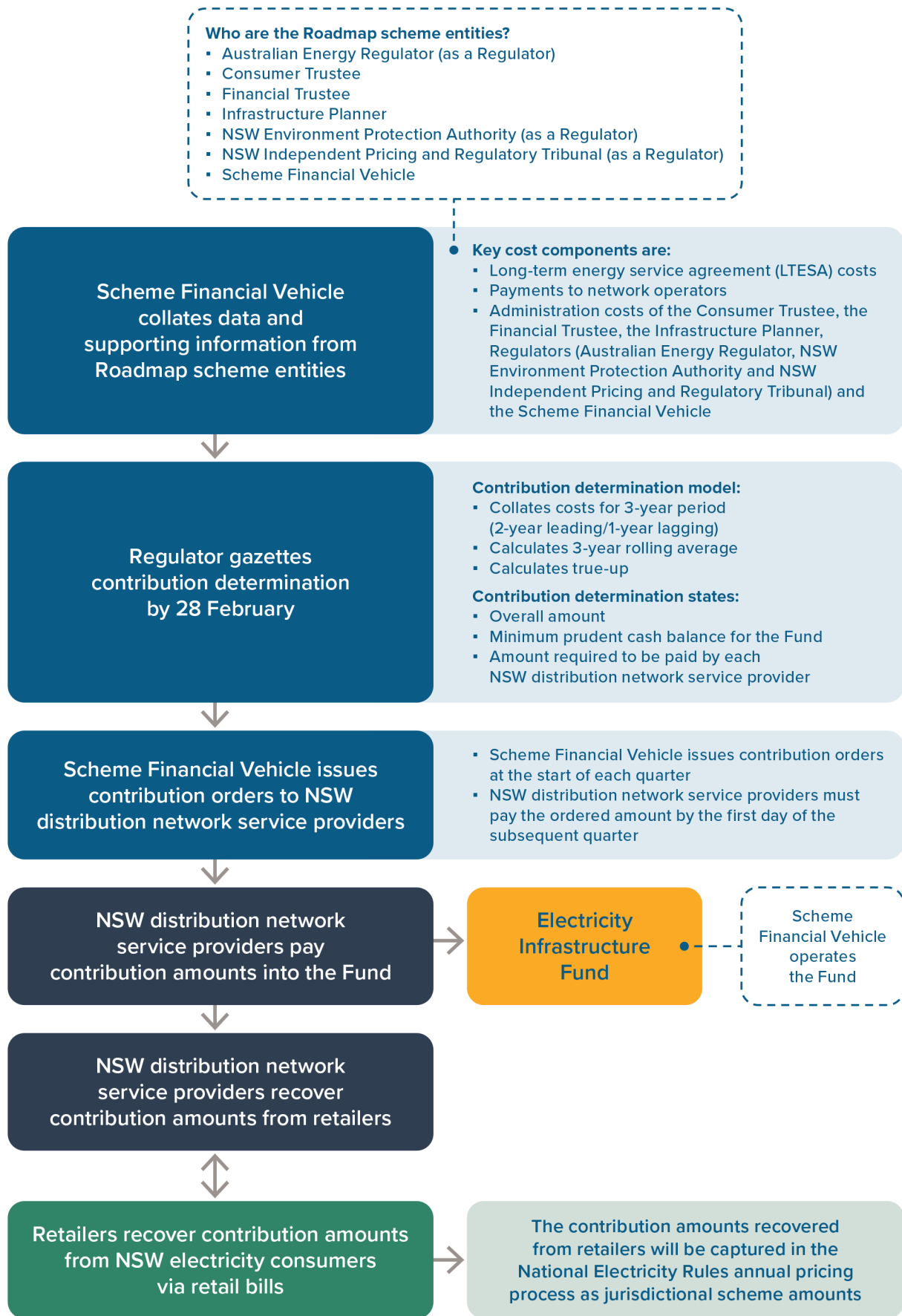
⁴ EII Act, s. 56 and EII Regulations, cl. 35(1)(c).

⁵ EII Act, s. 58(1). The NSW DNSPs are Ausgrid, Endeavour Energy and Essential Energy.

⁶ ~~OECC, Electricity Infrastructure Fund (Part 7 of the EII Act 2020), Policy Paper, September 2021, p. 4.~~ OECC, Electricity Infrastructure Fund (Part 7 of the EII Act 2020), Policy Paper, September 2021, p. 4.

Figure 1: Overview of cost recovery arrangements





1.4 Contribution determinations

The AER is required to make an annual contribution determination that sets out the amount required for the Scheme Financial Vehicle to be able to make payments from the Fund that are required under the EII Act, including the amount required for the Scheme Financial Vehicle to meet its liabilities as they fall due.⁷

The contribution determinations are about managing the Fund's liquidity and have no bearing on entities' rights to claim monies from the Fund, nor the Scheme Financial Vehicle's liabilities. The Scheme Financial Vehicle's liabilities are entirely independent of the contribution determinations and are based on the Scheme Financial Vehicle's liabilities under the law, including under section 55 of the EII Act and any contractual arrangements it concludes.

Our contribution determinations must include:⁸

- a minimum prudent cash balance for the Fund; and
- the amount required to be paid by each NSW DNSP.

In making a contribution determination, we must consult with the Financial Trustee and consider the matters prescribed by the *Electricity Infrastructure Investment Regulation 2021 (NSW)* (EII Regulations). The EII Act requires us to gazette our contribution determination by 28 February each year.⁹

To enable us to make the contribution determination, the EII Act allows us to request information from the Scheme Financial Vehicle that we consider necessary.¹⁰ In addition, the EII Regulations provide us with the power to request information from the Consumer Trustee, the Financial Trustee and the Infrastructure Planner, as well as from another regulator.¹²

In making a contribution determination, the EII Regulations require us to consider the following matters:¹³

1. The need to limit variability in contribution determinations from year to year. (That is, stability and minimal cost volatility).¹⁴
2. The equitable allocation of the contribution determination between DNSPs based on each DNSP's:
 - a) Volumetric energy delivered in the previous financial year; and
 - b) Peak demand in the previous financial year.¹⁵

⁷ EII Act, s. 56(1)

⁸ EII Act, s. 56(3)

⁹ EII Act, s. 56(5)

¹⁰ EII Act, s. 56(7)

¹¹ EII Regulations, cl. 39, 'Provision of information to regulator'.

¹² EII RegulationRegulations, cl. 39, 'Provision of information39A, 'Regulators to regulator'share information'.

¹³ EII RegulationRegulations, s. 35 'Contribution determination—matters to be taken into account'.

¹⁴ EII RegulationRegulations, cl. 35(1)(a) and see section 5.2 of this guideline on 3-year rolling average.

¹⁵ EII RegulationRegulations, cl. 35(1)(b) and see section 5.5 of this guideline on apportionment.

3. The need for the Scheme Financial Vehicle to be able to meet its liabilities as they fall due.¹⁶
4. Information provided to us by the Consumer Trustee, the Financial Trustee, the Infrastructure Planner, another regulator or the NSW Independent Pricing and Regulatory Tribunal (IPART).¹⁷

1.5 The Scheme Financial Vehicle's contribution orders

After we gazette our contribution determination each financial year, the Scheme Financial Vehicle may issue contribution orders to each NSW DNSP.¹⁸ The contribution orders contain the amount each NSW DNSP is to pay to the Scheme Financial Vehicle, based on the contribution determination amounts set by the AER.

The DNSPs' payments occur on the quarterly cycle set out in the EII Regulations and shown in Table 1 below.¹⁹

Table 1: Schedule of DNSP contributions into the Fund

Contribution period	Quarterly payment schedule ²⁰
1 July – 30 September	1 November
1 October – 31 December	1 February
1 January – 31 March	1 May
1 April – 30 June	1 August

1.6 Purpose of this guideline

This guideline sets out our process and method for how we make a contribution determination, along with the roles and responsibilities of each scheme entity. Our method is implemented through the contribution determination model (model).²¹

This guideline also details:

- instructions to assist owners of source data complete their entity's input template.
- instructions regarding supporting material, auditing, quality assurance and an approach to confidentialitynon-disclosure.
- how the contribution determination model and supporting information is compiled by the Scheme Financial Vehicle and submitted to us to check for compliance with the EII Act, the EII Regulations and this guideline.

~~Bringing the above material together will enable us to confirm the costs of the Roadmap. Specifically, this includes:~~

¹⁶ EII ~~Regulation~~Regulations, cl. 35(1)(c) and see section 6.1 of this guideline on minimum prudent cash balance.

¹⁷ EII Regulations, cl. 35(1)(d) and see section ~~2.22.3.2~~ of this guideline on supporting information.

¹⁸ EII Act, s. 58(1)~~7~~

¹⁹ EII ~~Regulation~~Regulations, s. 38.

²⁰ Where any of these falls on a weekend or public holiday, the applicable day is the next business day.

²¹ The model can be found on the AER's website [here](#).

The categories of costs captured by our contribution determinations include:

- Payments to network operators, in relation to REZ network infrastructure projects or priority transmission infrastructure projects under Part 5 of the EII Act.
- The costs associated with underwriting of generation, storage or firming infrastructure investments (including hybrid models) by the Consumer Trustee through the electricity infrastructure investment safeguard provisions under Part 6 of the EII Act (that is, long-term energy service agreements).
- The administrative costs of the scheme entities that perform functions under the EII Act:²²
 - Regulators (AER, EPA and IPART)²³
 - Consumer Trustee (AEMO Services Ltd)²⁴
 - Financial Trustee (Equity Trustees)²⁵
 - Infrastructure Planner (Energy Corporation of NSW)²⁶

1.7 Interaction with the National Electricity Rules

Under the National Electricity Rules (NER), DNSPs charge electricity retailers distribution tariffs to enable them to recover the revenue needed to build, operate and maintain the networks used to transport electricity.

The NER require DNSPs to apply to the AER to assess their revenue requirements, which typically occurs every five years.

Chapter 6 of the NER sets out the framework we apply to assess the prudence and efficiency of the DNSPs' proposed revenue requirements and make a revenue determination.

During the 5-year regulatory period covered by our revenue determination, we also undertake an annual pricing process to check the DNSPs are implementing the revenue determination correctly, to apply the pass-through of transmission and jurisdictional scheme costs, and to update the allowed revenue and prices to reflect changes in key assumptions underpinning the determination (for example, inflation and the cost of debt).

DNSP costs to be recovered through a revenue determination include costs related to the operation of jurisdictional schemes. Upon application, we must determine whether a jurisdictional scheme satisfies eligibility criteria to be included in a revenue determination. These eligibility criteria include where State or Territory legislation mandatorily requires DNSPs to pay a specified amount into a fund or credit charges against a person.²⁷ Once a

²² EII Act, s. 55

²³ EII Act, s. 64

²⁴ EII Act, s. 60

²⁵ EII Act, s. 61. The Scheme Financial Vehicle's administration costs are paid for by the Financial Trustee.

²⁶ ~~The Infrastructure Planner recovers its administrative costs in relation to access scheme administration/operation and the costs of implementing/managing programs delivering community and employment benefits for each REZ, both on the basis of access scheme declarations made by the Minister under s. 24 of the EII Act, which create liabilities within the meaning of s.55(a) of the EII Act. The Infrastructure Planner may also recover other administration costs on the basis of Ministerial approval under s. 66(4) of the EII Act.~~

²⁷ NER, cl. 6.18.7A(x)

scheme is determined, at each annual pricing review we must review the amounts to be passed through to network tariffs relating to jurisdictional schemes.

Following applications by the Department, we determined two schemes under the EII Act to be jurisdictional schemes:²⁸

- First, in December 2021, we determined the scheme under section 58(1) of the EII Act to be a jurisdictional scheme.²⁹
- Second, in August 2022, we determined to be a jurisdictional scheme the scheme under section 58(6) of the EII Act and the clause of the Regulations entitled ‘Recovery of amounts payable under contribution orders’.³⁰

The determination of these jurisdictional schemes allows for contribution determination amounts under the EII Act to be passed through to electricity retailers (and subsequently NSW electricity customers) via DNSP charges.

In applying our guideline, we (and the scheme entities) undertake a rigorous data collation, assurance and compliance process. However, when we conduct the annual pricing process under the NER, we will not reinterrogate the jurisdictional amounts arrived at in our contribution determination beyond NER requirements and our usual treatment of jurisdictional amounts.³¹

1.8 Authority for this guideline

The EII Act gives us a general power to issue guidelines in relation to the exercise of our functions.³² The EII Act also requires us to publish guidelines about how we will exercise our functions to vary contribution determinations.³³

We consider it appropriate to issue a general guideline about our annual contribution determination process and method. Section 9 of the guideline covers how we would exercise our functions to vary a contribution determination.

We may update this guideline and the model from time to time. If appropriate, we will consult with the relevant entities.

There are two elements of the contribution determinations where our approach is particularly guided by input from outside the AER, namely:

- Our approach to exemptions from Roadmap costs for emissions intensive trade exposed entities and producers of green hydrogen reflects a policy paper by the NSW

²⁸ NER, cl. 6.18.7A(x). We do not have discretion to reject a jurisdictional scheme application if the jurisdictional scheme eligibility criteria are satisfied.

²⁹ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/nsw-electricity-infrastructure-investment-act-jurisdictional-scheme-application>

³⁰ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/nsw-electricity-infrastructure-investment-act-2nd-jurisdictional-scheme-application>

³¹ NER, cl. 6.18.7A

³² EII Act, s. 64(4). This subsection covers issuing guidelines in relation to the exercise of functions by the persons and bodies appointed under the EII Act.

³³ EII Act, s. 57(2)

Department of Climate Change, Energy, the Environment and Water (the Department) (formerly, the NSW Office of Energy and Climate Change).³⁴

- Our approach to setting the minimum prudent cash balance. We consult closely with the Scheme Financial Vehicle in setting the minimum prudent cash balance because it has the best available information regarding the Fund's forecast cash flows. Both the Consumer Trustee and Scheme Financial Vehicle must comply with the risk management framework established under section 51(1) of the EII Act to protect the financial interests of NSW electricity consumers with respect to long-term energy service agreements.³⁵ We approved the risk management framework prepared by the consumer trustee on 8 July 2022.³⁶

1.9 The contribution determination model

We developed the an Excel-based model to:

- ~~provide efficiencies in scheme entities' preparation and quality control of data inputs into our~~ implement the AER's contribution determination.
- ~~facilitate compliance with determinations. The model contains the EII Act, EII Regulations and calculations that give effect to the method we summarise in Part 3 of this guideline.~~
- ~~streamline the AER's assessment Parts 4 and 5 of input data.~~

~~The structure of this guideline provide extracts from the model should not be altered without prior discussion with the AER. This will ensure that any errors that arise are appropriately considered and any corrections are implemented across all relevant scheme entities to show how it works.~~

³⁴ ~~OECC, Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process. OECC, Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process, May 2022.~~

³⁵ ~~AEMO Services, Risk Management Framework, July 2022.~~

³⁶ ~~AER, Approval of Consumer Trustee's risk management framework, July 2022.~~

2 The contribution determination process

This chapter sets out the contribution determination processes that apply to all scheme entities in preparing, and us as the regulator, in making an annual contribution determination.

2.1 Process for contribution determinations

Table 2 sets out the process for contribution determinations.

Table 2: Overview of process for contribution determinations

Date	Milestone
By 31 Aug each year	AER issues request for information to Scheme Financial Vehicle <u>scheme entities</u> ³⁷
	AER askes <u>relies on its information powers under sections 39 and 39A of the Scheme Financial Vehicle Regulation to collate</u> <u>issue an information request to all scheme entities to commence the process.</u> <u>Under the information request, the AER requests all scheme entities submit expenditure and revenue data and supporting information necessary to make a contribution determination to the AER and SFV.</u> <u>The AER will provide the Scheme Financial Vehicle the data input templates for</u> <u>provides each scheme entity to complete and the model into which with an Excel-based input template and Word-based basis of preparation template, to facilitate the Scheme Financial Vehicle will collate the data.</u> <u>From this point, the Scheme Financial Vehicle will be primarily responsible for contacting scheme entities, compiling all relevant data into the model and conducting quality assurance in relation to the collection of the data and supporting material information.</u>
By 15 Oct each year	All scheme entities submit completed input templates and supporting information to the Scheme Financial Vehicle and the AER
	The scheme entities provide the data points summarised below, alongside the supporting information required under Table 3. Please note: • Scheme entities must conduct their own quality assurance prior to submission. • All data should be stated in nominal terms for the year in which it occurs i.e., adjusted to account for the time value of money. • Scheme entities should not submit the certification from their chief executive at this stage in the process, but rather by the 15 November date.

³⁷ EII ~~Regulation, s.~~ Regulations, ss. 39 and 39A.

Date	Milestone
	Preliminary long-term energy service agreement cost estimates The Scheme Financial Vehicle provides 2-years leading³⁸, 1-year lagging data, as follows: • LTESA costs estimate for the current financial year (e.g., as at mid-October 2024, this would cover FY 24–25). • Placeholder forecast LTESA costs for the subsequent two financial years (e.g., as at mid-October 2024, this would cover FY 25–26 and FY 26–27). The Scheme Financial Vehicle provides actuals data, as follows: • Actual LTESA costs for the previous financial year (e.g., as at mid-October 2024, this would cover FY 23–24).
	Final ‘payments to network operators’ cost estimates The Infrastructure Planner provides 2-years leading³⁹, 1-year lagging data, as follows: • REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects costs estimate for the current financial year (e.g., as at mid-October 2024, this would cover FY 24–25) • Forecast REZ network infrastructure costs for REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects for the subsequent two financial years (e.g., as at mid-October, this would cover FY 25–26 and FY 26–27). • <u>For each of these three forecast years (i.e., the 2-years leading, 1-year lagging data), the Infrastructure Planner also provides an upper bound and lower bound estimate in relation to each network infrastructure project.</u> The Infrastructure Planner provides actuals data, as follows: • Actual costs data in relation to REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects costs for the previous financial year (e.g., as at mid-October 2024, this would cover FY 23–24).
	Final administration cost estimates Scheme entities provide 2-years leading⁴⁰, 1-year lagging data, as follows: • Administration costs estimate for the current financial year (e.g., as at September 2024, this would cover FY 24–25). • Forecast administration costs for the subsequent two financial years (e.g., as at September 2024, this would cover FY 25–26 and FY 26–27). Scheme entities provides<u>provide</u> actuals data, as follows: • Actual costs data in relation to administration costs for the previous financial year (e.g., as at mid-October 2024, this would cover FY 23–24). The scheme entities that will recover administration costs are the Consumer Trustee, Financial Trustee, Infrastructure Planner and the regulators EPA and IPART (as well as the AER itself, covered below).
Between 15 Oct – 15 Nov each year	Scheme Financial Vehicle and AER concurrently conduct quality assurance process

³⁸ Scheme entities may wish to provide forecasts for outer years in addition to the 2 leading years, but this is not required.

³⁹ As above.

⁴⁰ As above.

Date	Milestone
	The Scheme Financial Vehicle and AER concurrently conduct quality assurance checks. The Scheme Financial Vehicle and AER examine the data provided against the accompanying supporting information and raise queries with scheme entities, as needed. The Scheme Financial Vehicle alone (i.e., and not the AER itself) will conduct quality assurance checks regarding the AER's administrative costs input data and supporting information.
By 15 Nov each year	Scheme entities submit chief executive certification to the Scheme Financial Vehicle and the AER
	Table 3 requires each scheme entity's chief executive to certify its input data and supporting information. As the quality assurance conducted by the Scheme Financial Vehicle and the AER often results in changes to the input data and supporting information, this step occurs after: - the Scheme Financial Vehicle and AER quality assurance process is complete. - the scheme entity has made any necessary changes and finalised its input data and supporting information.
<u>By 15 Nov each year</u>	<u>Scheme Financial Vehicle submits minimum prudent cash balance proposal to both the AER and the Consumer Trustee</u>
	<u>The Scheme Financial Vehicle prepares and submits a minimum prudent cash balance proposal to the AER and the Consumer Trustee, seeking feedback on the proposal.</u>
By 30 Nov each year	Scheme Financial Vehicle completes compilation of model/supporting material and submits it to the AER
	The Scheme Financial Vehicle must complete the following steps: - input all data received from scheme entities into the model. - input all financial data into the model. - conduct a review of all data and supporting information supplied by scheme entities to check for accuracy. - collate all supporting information. Once these steps are completed, the Scheme Financial Vehicle must provide the draft completed model and supporting information to the AER.
<u>By 15 Dec each year</u>	<u>Consumer Trustee provides comments on the minimum prudent cash balance proposal to the AER and Scheme Financial Vehicle</u>
	<u>The Consumer Trustee provides comments on the minimum prudent cash balance proposal relating to its role in managing LTESAs under the risk management framework under section 51 of the EII Act.</u>

Date	Milestone
By 15 Jan each year	Scheme Financial Vehicle submits to AER the completed model with final data
	At this stage, the Scheme Financial Vehicle submits the two outstanding sets of data, as set out below. Final long-term energy service agreement forecasts. The Scheme Financial Vehicle inputs into the model the final <u>long-term energy service agreement</u> forecast data for the subsequent two years i.e., the finalised 2 years leading data. This final forecast data updates the placeholder forecast data input in October. Final energy data to underpin apportionment of costs across the NSW DNSPs and the calculations of exemptions. NSW DNSPs provide the Scheme Financial Vehicle with volumetric energy delivered, <u>and</u> peak demand and exemptions data, after being confidentially informed of the National Meter Identifiers eligible for exemption by the Department.⁴¹ The volumetric energy delivered and peak demand data should match the data NSW DNSPs submit to the AER through the Regulatory Information Notice (RINs) process – this data is discussed further at section 4.6 below. The relevant reporting year for the purposes of this energy data will be the previous financial year i.e., as at January 2025, the relevant year will be FY 23–24. Once these two sets of outstanding data are inputted, the Scheme Financial Vehicle submits the completed model to the AER. The Scheme Financial Vehicle must submit to the AER both a confidential version and a version with confidential data redacted that is able to be published.
1 Dec – 31 Jan each year	AER conducts final quality assurance checks
	AER checks data and supporting information and obtains any corrections or updates required <u>through from</u> the Scheme Financial Vehicle <u>scheme entities</u> .
By 28 Feb	AER gazettes contribution determination
	AER publishes the gazetted contribution determination.

~~2.2 Starting the contribution determination process~~

~~To start the contribution determination process each year, we will write to the Scheme Financial Vehicle, requesting it to:~~⁴²

- ~~• complete the model, including consulting with scheme entities to input relevant data consistent with the EII Act, Regulations and this guideline.~~
- ~~• obtain all relevant supporting material from scheme entities to support data inputs, as detailed in this guideline.~~
- ~~• compile all data and supporting material and conduct quality assurance.~~

⁴¹ ~~Reflecting the process for exemptions data developed by the Department and outlined in its policy paper: OECC, *Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020)*, *Exemption Administration Process*.~~

⁴² ~~Pursuant to the AER's information powers under s. 56(7) EII Act and the EII Regulation 2022.~~

- submit the completed model and package of supporting material under cover letter outlining the quality assurance processes undertaken.

2.32.2 Supporting information requirements

Table 3 sets out the supporting information requirements for each scheme entity.

If the requirements of Table 3 are not met, the data may not be able to be accepted by us. If the audit requirement in relation to actuals data is not met, our confidence in forecast data will be reduced and may result in a more stringent review.

Table 3: Supporting information requirements.

Scheme entity	Data input	Supporting information
All scheme entities	General	A basis of preparation document – the requirements in relation to this document are set out in section 2.2.12-32.4.
All scheme entities	All 'actuals' data points i.e., data in relation to the t-2 year	- All 'actuals' costs data must be independently audited – the requirements in relation to independent audits are set out in section 2.2.22-32.2. - A copy of the audit opinion report must be provided as supporting information – see section 2.2.22-32.2. Please note: The independent audit requirement only relates to actuals financial data, and this requirement may be satisfied by a general audit of the entity's accounts.
Scheme Financial Vehicle	Costs in relation to long-term energy service agreements (LTESAs) under Part 6 of the EII Act	- A summary of the methodology used to calculate forecast LTESA costs, including the relevant assumptions.⁴³ - A statement by the Chair or CEO of the Scheme Financial Vehicle that: - the methodology has been approved by the Scheme Financial Vehicle's Board. - the methodology complies with the relevant subsidiary policies and risk management framework under section 51 of the EII Act.
Infrastructure Planner	Payments to network operators under Part 5 of the EII Act	- A summary of the methodology used to calculate forecast payments to network operators, including the relevant assumptions. - An explanation of how the data used reflects Table 4 below. - A statement from the Infrastructure Planner's Board or CEO: - that it has approved the Infrastructure Planner's data inputs and its forecast methodology.
	Administration costs	As payment to the Infrastructure Planner is not covered under section 55(b) of the EII Act, its supporting requirements regarding administrative costs differ from those for other scheme entities. It must provide: A cross reference to the relevant ministerial access scheme declaration that creates a liability to be paid from the Fund under section 55(a) of the EII Act. Any other information that provides a legal basis for the Infrastructure Planner to recover administration costs.⁴⁴

⁴³ Probabilistic assumptions about the distribution of long-term energy service agreement costs, AEMO scenario for wholesale prices, etc. A dashboard summary should be provided to ensure transparency of modelling assumptions.

⁴⁴ ~~EII Act, s. 55(c).~~

Scheme entity	Data input	Supporting information
		e.g., a ministerial approval under section 66(4) of the EII Act. • A statement from the Infrastructure Planner's Board that: — it has approved the Infrastructure Planner's costs data. — there are no alternative avenues to recover the costs nor potential for double counting. — the cost recovery complies with any relevant governmental guidelines e.g., with Australian Government Cost Recovery Guidelines (RMG 304).⁴⁵ • Copies of the relevant invoices.
AER, Consumer Trustee, EPA , Financial Trustee, Infrastructure Planner , IPART, EPA	Administration costs of scheme entities	• A statement by each entity's Chief Executive <u>or equivalent</u> that: - they have approved the administration costs provided in their completed input template. - the cost recovery complies with any applicable governmental guidelines e.g., with Australian Government Cost Recovery Guidelines (RMG 304).⁴⁵⁴⁴ - there is no double counting regarding any other sources of administration cost revenue. • A breakdown of the administration costs into the following categories: - Staff costs (ongoing) - Staff costs (non-ongoing) - Consultancies (ongoing) - Consultancies (non-ongoing) • Copies of the entity's invoices for administrative costs submitted to the Scheme Financial Vehicle.
NSW DNSPs	Energy data ⁴⁶	• In relation to the volumetric data on energy delivered, <u>and</u> peak demand and exemptions (the data described in sections 4.6 and 4.7 below), a statement from the DNSP's relevant executive that the exempt volumetric and exempt peak demand data is correct.

2.3.12.2.1 Basis of preparation document

The basis of preparation document required in Table 3 must:

1. demonstrate how the information provided is consistent with the requirements of this guideline.
2. explain the source of the information.
3. explain the methodology applied, including any assumptions made and the reasonableness of those assumptions.
4. explain, in relation to forecast data, the basis for the forecast estimate, including the approach used, assumptions made and reasons why the estimate is the data owner's best estimate.
5. indicate the basis of any administration costs, including a breakdown of costs into the following categories:

⁴⁵ ~~These guidelines are an example and apply to Commonwealth entities only.~~

⁴⁶ Note that the independent audit requirement in relation to actuals data described in section ~~2.2.22-32-2~~ 2.2.22-32-2 does not apply to this energy data, as it is not financial data (i.e., it is not data measured in dollars).

- a) Staff costs (ongoing)
- b) Staff costs (non-ongoing)
- c) Consultancies (ongoing)
- d) Consultancies (non-ongoing)

6. explain the data owner's quality assurance processes.

2.3.22.2.2 Independent audit requirement in relation to actuals data

As set out in Table 3, all actuals financial data (i.e., historical data in relation to the $t-2$ year) must be independently audited.

Where the amounts involved are such that the costs of an audit would outweigh the benefits, the entity concerned may write to the AER to request that it be exempted from the audit requirement. AER staff will then inform the entity whether it may forego the audit. The entity should provide the AER with reasons as to why the costs of an audit would outweigh the benefits. The AER has discretion in deciding whether an audit is appropriate and will take into account:

- The quantum of the amounts to be audited.
- The costs of the audit as a proportion of the amounts to be audited.
- The reasons provided by the scheme entity.

Where the AER itself is seeking an exemption from the independent audit requirement, we will consult the SFV Scheme Financial Vehicle and seek their agreement that an audit is not required.

The independent audit requirement only relates to actuals data (i.e., historical data in relation to the $t-2$ year). While best endeavours must be taken for the audit to separately and clearly identify Roadmap data, where it is not reasonably practicable to do this, the audit requirement may be met by a general audit that embeds Roadmap data within higher level data.

The audit must be conducted in compliance with Australian Auditing and Assurance Standards.

2.3.32.2.3 Sources of cost data in relation to payments to network operators

The data in relation to payments to network operators requires additional specification as to the source of each data point.

The source of data the Infrastructure Planner uses to submit this data should follow Table 4 below.

Note in particular that, where no revenue proposal or AER determination is available to cover the $t+1$ year, the Infrastructure Planner is responsible for preparing forecast data. This forecast data must be substantiated by the supporting information outlined in Table 3 above.

Table 4: The source to be used for data on payments to network operators

Year	Actuals data	Adjusted determination revenue (from AER determination)	Determination revenue (from AER determination)	Revenue proposal (formally submitted to AER)	Forecast data
<i>t-2</i>	Yes				
<i>t-1</i>		If available, otherwise >>	Yes		
<i>t</i>			If available, otherwise >>	If available, otherwise >>	Yes
<i>t+1</i>			If available, otherwise >>	If available, otherwise >>	Yes

2.42.3 Quality assurance processes

We expect that each scheme entity will support the Scheme Financial Vehicle and AER by checking the accuracy of its data inputs and supporting material before providing it to the Scheme Financial Vehicle and the AER. The Scheme Financial Vehicle will conduct quality assurance of the completed model against the package of supporting material and relevant assurances.

This places the onus on each scheme entity to be responsible for the veracityaccuracy, auditability and transparency of its inputs and supporting material. We consider that this approach, consistent with our approach to annual pricing under the NER,⁴⁷ increases the likelihood of the contribution determination amount that the Scheme Financial Vehicle submits is capable of being approved. Once we receive the contribution determination model and supporting information from the Scheme Financial Vehicle, we will review the material for accuracy and compliance with the EII Act, the EII Regulations and this guideline.

We consider this quality assurance process will limit errors and hence, the need for us to request the Scheme Financial Vehicle to resubmit the model or additional supporting material. For each version of the model resubmitted, we must perform a compliance check. Further engagement processes are time consuming and putspout at risk our ability to make our contribution determination within the legislative timeframe set under the EII Act.

2.52.4 Additional process matters

2.5.12.4.1 Handling of errors

Any errors, deviations of actuals from estimates, or changes to forecasts that occur after a contribution determination has been gazetted will be dealt with under the subsequent contribution determination through the relevant true-up mechanism.

2.5.22.4.2 Consultation with the Financial Trustee

In making the contribution determination each year, we will conduct appropriate consultations. This includes consulting with the Financial Trustee as required under s. 56(6) of the EII Act. Specifically, we will consult with the Financial Trustee before gazetting our contribution determination and provide feedback on the process to create a culture of continuous improvement.

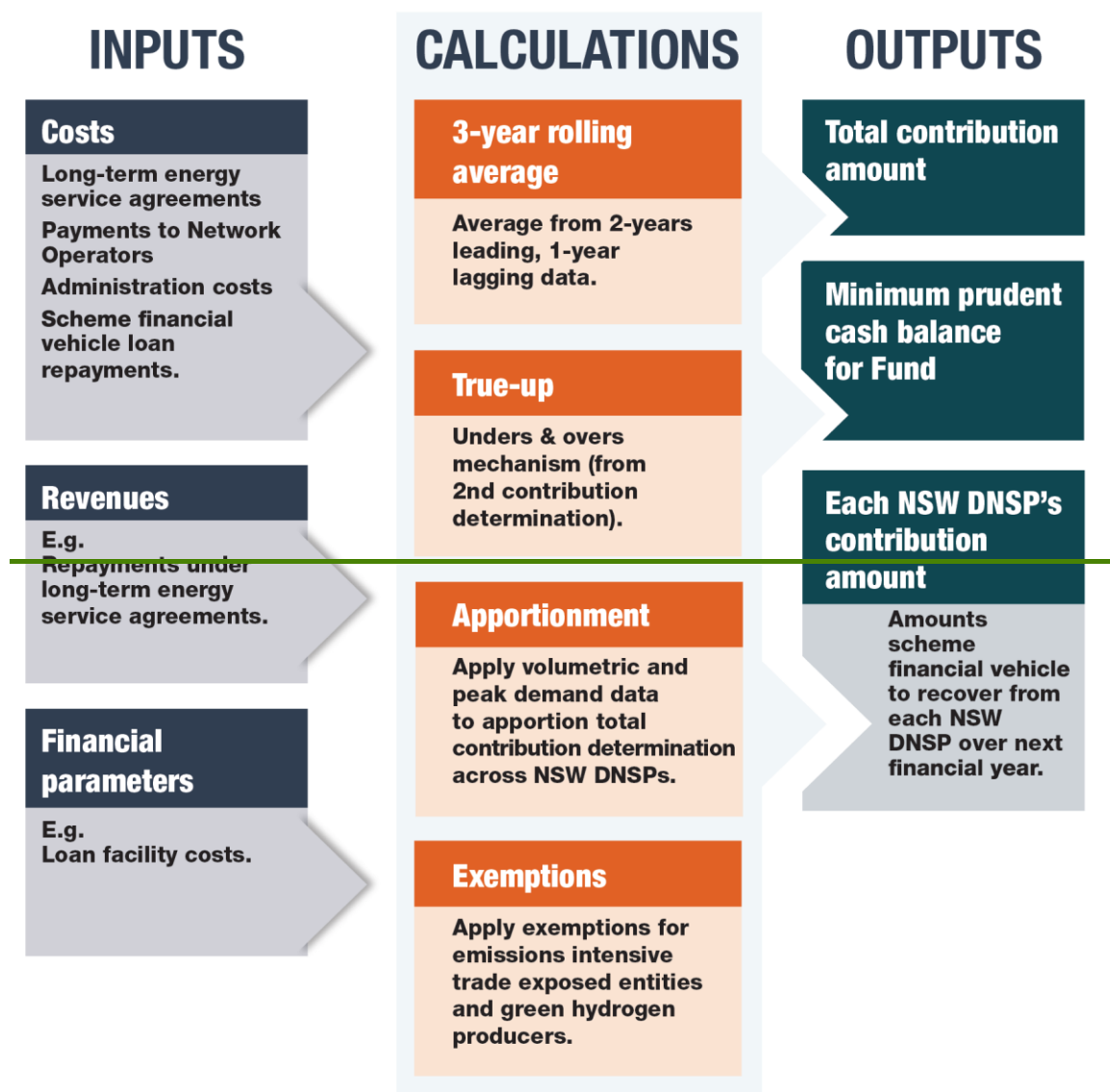
⁴⁷ AER, [Annual pricing review process, Final position paper - first stage](#), December 2021.

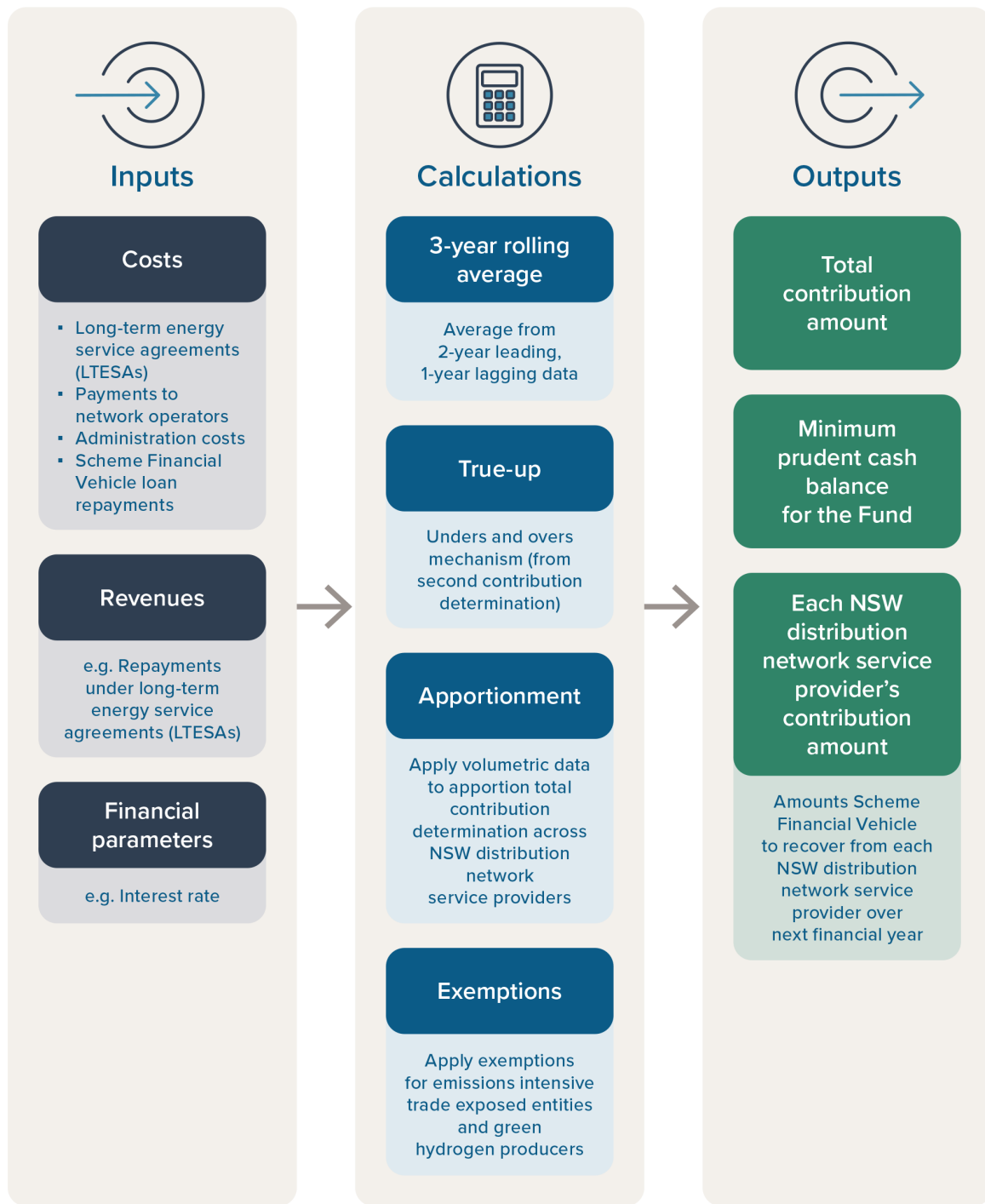
3 Overview of contribution determination method

This chapter sets out the contribution determination method that applies to all scheme entities in preparing information for, and us as the regulator in making, an annual contribution determination.

It consists of screen shots of each model worksheet and an explanation of the purpose and method behind each worksheet.

Figure 2: Overview of contribution determination method





Source: AER

The contribution determination method is carried out in two stages:

- The first stage calculates the total contribution determination amount for the Fund.
- The second stage apportions the total contribution determination amount across the NSW DNSPs.

Stage 1

The calculation first combines the inputs of revenues and costs to calculate annual net expenses for the Scheme Financial Vehicle.

To set the contribution determination amount for the upcoming year t , we rely on the following data from each scheme entity:

- actual net expenditures for the previous year (year $t-2$)
- the estimate of the current (year $t-1$) net expenditures
- the forecast net expenditure for the upcoming year t (the year for which the contribution determination is made), and
- the forecast net expenditure for the forecast year $t+1$.

Using the inputs for the three forecast years (the $t-1$, t and $t+1$ years), we calculate a three-year rolling average of net expenditures. We then make the following adjustments:

- an adjustment for the annual change in the allowance for minimum prudent cash balance, based on the Fund's future liquidity requirements.⁴⁸
- an adjustment to account for calling on and repaying other sources of funding, including both government grants and other loans.
- a true-up adjustment based on the actual net expenditures for the $t-2$ year to account for any revisions to the costs/revenues data used to underpin previous contribution determinations. The true-up adjustment is made to set the closing balance of the unders-and-overs account to zero for the target year (t).

Stage 2

After calculating the total contribution determination amount, we apportion the total between the NSW DNSPs. The apportionment method assigns expenditure to either a “volumetric energy” or “peak demand” category.⁴⁹ The long-term energy service agreement costs for generation are assigned to the “volumetric energy” category, while all other elements of net costs are assigned to “peak demand.”

The costs are then allocated between the NSW DNSPs based on their proportion of the combined total of “volumetric energy” and “peak demand” across all NSW DNSPs, ~~after applying exemptions for emissions intensive trade exposed entities and green hydrogen producers.~~

This apportionment method allows us to calculate an annual contribution amount for each NSW DNSP, which will be listed in our gazettal notice.⁵⁰

The EII Regulations also require us to provide each DNSP with the percentage of their individual contribution determination amounts relating to LTES agreements for generation infrastructure (i.e., that can be attributed to the volumetric energy category). This data point will allow NSW DNSPs to undertake the calculations necessary to implement exemptions for emissions intensive trade exposed entities and producers of green hydrogen.

⁴⁸ EII Act, s. 56(1)

⁴⁹ EII ~~Regulation~~Regulations, clause 35 titled ‘Contribution determination—matters to be taken into account’ includes definitions of peak demand and volumetric energy delivery.

⁵⁰ EII Act, s. 56(3)(b)

Stakeholders should refer to the Department’s policy paper⁵¹ for details on the objectives and operation of its exemption framework. The Department’s exemption framework largely sits outside of the contribution determination process apart from the apportionment process outlined above.

⁵¹ OECC, ~~Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020)~~, Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process, May 2022.

4 Inputs

This chapter explains the inputs that feed into the contribution determination calculations.

The AER requires each scheme entity to provide input data by filling out an input template, alongside the supporting information required by Table 3 above.⁵²

The Scheme Financial Vehicle, following Table 2 above, collates this data into the model and checks it against the supporting information provided, as outlined in Table 3.

Section 56(1) of the EII Act requires the AER to make contribution determinations such that the Scheme Financial Vehicle is able to make required payments from the Fund, ~~including the amount required for the Scheme Financial Vehicle to meet its liabilities as they fall due.~~ Because of the time it takes to recover contribution determination amounts through the quarterly cycle of NSW DNSP payments into the Fund, the AER’s contribution determinations must be *forward-looking*. That is, the Fund must have sufficient liquidity to cover the Scheme Financial Vehicle’s liabilities at a future point in time (the *t* year). This is the reason our method is based on cost/revenue *forecasts* provided to us by the NSW scheme entities. We require actuals data in relation to the *t-2* year and forecast data in relation to the *t-1*, *t* and *t+1* years.

The forecasts provided by each NSW scheme entity should provide *expected future costs/revenues*. Because these forecasts relate to a future point in time, it is not necessary for the costs/revenues to be formally established for the item to be captured by our contribution determinations, as long as there is an objective rational basis to expect the costs/revenues to be incurred. For example, it is not necessary for all approvals for a network project to be finalised for its *expected future* costs to be taken into account in the contribution determinations.

4.1 General

The general worksheet is where the current contribution determination year and relevant year for apportionment purposes are input.

Figure 3: Extract of general inputs table

Table 1 General inputs			
Inputs	Source	Value	Notes
Target year (t)	SFV	2024–25	
Energy data year to underpin apportionment for target year	Calculated	2022–23	Fixed at t-2
Unit for inputs and revenues	AER	\$millions	
Unit for output tables (from revenues)	AER	\$millions	
Unit for consumption totals and outputs	AER	GWh	

Table 1 General inputs			
Inputs	Source	Value	Notes
Target year (t)	SFV	2027–28	
Energy data year to underpin apportionment for target year	Calculated	2025–26	
Unit for inputs and revenues	AER	\$millions	
Unit for output tables (from revenues)	AER	\$millions	
Unit for consumption totals and outputs	AER	GWh	

⁵² EII ~~Regulation~~Regulations, s. 39-

The reporting year for the purposes of the volumetric energy, peak demand and exemptions data needed to support the apportionment and implementation of exemptions is the *t-2* year.

4.2 Revenues

The revenues table (Table 2 on the 'Financial' worksheet) captures the revenue of the Scheme Financial Vehicle through various income streams.

Figure 4: Extract of revenues table

Table 2 Revenues	Source	Unit	Confidentiality claimed re actuals data (2022–23)	Confidentiality claimed re forecast data (2023–24 and beyond)	2021–22	2022–23
Contribution determinations						
Contribution determination actual revenue	SFV	\$millions	No	No		
Revenue (excluding contribution determinations)						
LTESA - Generation	SFV	\$millions	No	No		
LTESA - LDS & Firming	SFV	\$millions	No	No		
Risk management contracts	SFV	\$millions	No	No		
Access fees	SFV	\$millions	No	No		
Payments for shortfall in carbon offsets (LTESA for firming infrastructure)	SFV	\$millions	No	No		
Revenues from investment activities	SFV	\$millions	No	No		
Other revenue	SFV	\$millions	No	No		
Total	Calculation	\$millions	No	No	0.00	0.00

Table 2 Revenues	Source	Unit	Non - disclosure claimed re actuals data (2025–26)	Non - disclosure claimed re forecast data (2026–27 and beyond)	2021–22
Contribution determinations					
Contribution determination actual revenue	SFV	\$millions	No	No	
Revenue (excluding contribution determinations)					
LTESA - Generation	SFV	\$millions	No	No	
LTESA - LDS & Firming	SFV	\$millions	No	No	
Risk management contracts	SFV	\$millions	No	No	
Access fees	SFV	\$millions	No	No	
Payments for shortfall in carbon offsets (LTESA for firming infrastructure)	SFV	\$millions	No	No	
Revenues from investment activities	SFV	\$millions	No	No	
Other revenue	SFV	\$millions	No	No	
Total	Calculation	\$millions	No	No	-

The main potential sources of revenue for the Scheme Financial Vehicle are contribution determinations, long-term energy service agreements and access scheme fees.

Long-term energy service agreement revenues include repayments that LTES operators make to the Fund as provided under the terms of long-term energy service agreements.

4.3 Expenditure

The expenditure table (Table 3 on the 'Financial' worksheet) captures scheme entities' administrative expenses, the costs of long-term energy service agreements and risk management contracts, payments to network operators, access scheme costs and the Scheme Financial Vehicle's financial costs.

Figure 5: Extract of expenditure table

Table 3 Expenditure			Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23
LTESA expenditure								
LTESA - Generation	SFV	\$millions	No	No				
LTESA - LDS & Firming	SFV	\$millions	No	No				
Risk management contracts	SFV	\$millions	No	No				
Total	Calculation	\$millions	No	No			0.00	0.00
Payments to network operators								
Payments to network operators	NSW EnCo	\$millions	No	No				
Total	Calculation	\$millions	No	No			0.00	0.00
Administration expenditure								
AER administration costs	AER	\$millions	No	No				
Consumer Trustee administration costs	Consumer Trustee	\$millions	No	No				
Financial Trustee administration costs	Financial Trustee	\$millions	No	No				
SFV administration costs	SFV	\$millions	No	No				
IPART administration costs	IPART	\$millions	No	No				
EPA administration costs	EPA	\$millions	No	No				
EnCo administration costs	SFV/NSW EnCo	\$millions	No	No				
Total	Calculation	\$millions	No	No			0.00	0.00
Other costs								
Access scheme costs (excluding administration costs and community payments)	SFV	\$millions	No	No				
Community payments	SFV	\$millions	No	No				
EPA invoices for shortfall in carbon offsets (LTESA for firming infrastructure)	SFV	\$millions	No	No				
Interest and finance cost of loans (including additional loans and liquidity facilities)	SFV	\$millions	No	No				
Other costs	SFV	\$millions	No	No				
Total	Calculation	\$millions	No	No			0.00	0.00
Total	Calculation	\$millions	No	No			0.00	0.00

Table 3 Expenditure			Source	Unit	Non - disclosure claimed re actuals data (2025-26)	Non - disclosure claimed re forecast data (2026-27 and beyond)	2021-22
LTESA expenditure - Generation forecast as at reference year							
2023-24	SFV	\$millions	No	No			
2024-25	SFV	\$millions	No	No			
2025-26	SFV	\$millions	No	No			
2026-27	SFV	\$millions	No	No			
LTESA expenditure - Generation forecast as at target year							
2027-28	SFV	\$millions	No	No			
LTESA expenditure - Other categories							
LTESA - LDS & Firming	SFV	\$millions	No	No			
Risk management contracts	SFV	\$millions	No	No			
Total	Calculation	\$millions	No	No			-
Payments to network operators							
Payments to network operators	EnergyCo	\$millions	No	No			
Total	Calculation	\$millions	No	No			-
Administration expenditure							
AER administration costs	AER	\$millions	No	No			
Consumer Trustee administration costs	Consumer Trustee	\$millions	No	No			
Financial Trustee administration costs	Financial Trustee	\$millions	No	No			
SFV administration costs	SFV	\$millions	No	No			
IPART administration costs	IPART	\$millions	No	No			
EPA administration costs	EPA	\$millions	No	No			
EnCo administration costs	EnCo	\$millions	No	No			
Total	Calculation	\$millions	No	No			-
Other costs							
Access scheme costs (excluding administration costs and community payments)	SFV	\$millions	No	No			
Community payments	SFV	\$millions	No	No			
EPA invoices for shortfall in carbon offsets (LTESA for firming infrastructure)	SFV	\$millions	No	No			
Interest and finance cost of loans (including additional loans and liquidity facilities)	SFV	\$millions	No	No			
Other costs	SFV	\$millions	No	No			
Total	Calculation	\$millions	No	No			-
Total	Calculation	\$millions	No	No			-

The categories of costs that may be captured by the contribution determinations include the following:

- Long-term energy service agreements are option contracts that the Consumer Trustee issues through a competitive tender process. The successful energy projects which win the option contracts, called long-term energy service operators, have access to minimum cash flows for their energy service. The costs captured by the contribution determination include forecast payments to long-term energy service operators. These forecasts

involve modelling wholesale energy prices to estimate likely future payments to long-term energy service operators.

- Section 54~~52~~ of the EII Act provides for risk management contracts so that the Consumer Trustee can manage the cumulative market, liquidity and counterparty risks of the long-term energy service agreements. These may include energy derivatives and insurance products. The costs of these instruments may be captured by the contribution determinations.
- Payments to network operators are costs associated with REZ Network Infrastructure Projects or Priority Transmission Infrastructure Projects, as defined under the EII Act.
- Administration expenditure is the costs incurred by the Consumer Trustee, Financial Trustee, Infrastructure Planner and regulators in exercising their functions under the EII Act.⁵³ ~~The Infrastructure Planner may also recover administration costs through alternative pathways, such as on the basis of access scheme declarations or approval under section 66(4) of the EII Act.~~
- The Scheme Financial Vehicle's financial costs may include debt servicing costs or other financing costs. These are captured as interest and financial cost of loans.
- The AER's approach to making contribution determinations places the onus on NSW scheme entities to provide us input data. This includes estimates of the payments the Scheme Financial Vehicle will be required to make i.e., the Scheme Financial Vehicle's forthcoming expenditure. This involves the scheme entities forecasting costs for the $t-1$, t and $t+1$ years, which is inherently uncertain.
- The AER's function under section 56 of the EII Act necessitates the AER assessing the input data provided to us by NSW scheme entities.

4.4 Financial parameters and cash amounts

The financial parameters for the contribution determination include interest rate, and the treatment of the repayable grant. These are input by the Scheme Financial Vehicle on the Financial worksheet.

Figure 6: Extract of financial parameters tables

Table 4 Interest rate	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23
Interest rate	SFV	Per cent	No	No		

Table 4 Repayable grant and other loans	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23
Establishment of NSW grant	SFV	\$millions	No	No		
Repayment of grant	SFV	\$millions	No	No		
Need to use grant money (to cover negative liquidity or grant repayments)	Calculation	\$millions	No	No	0.00	0.00
Use of grant to cover under-recovery (and subsequent recovery of funds)	Calculation	\$millions	No	No	0.00	0.00
Use of an additional loan (and subsequent recovery of funds)	SFV	\$millions	No	No		
Total	Calculation	\$millions	No	No	0.00	0.00

Table 1 Interest rate	Source	Unit	Non-disclosure claimed re actuals data (2025-26)	Non-disclosure claimed re forecast data (2026-27 and beyond)	2021-22
Interest rate	SFV	Per cent	No	No	

⁵³ EII Act, s. 55(b)

Table 4 Repayable grant and other loans	Source	Unit	Non - disclosure claimed re actuals data (2025-26)	Non - disclosure claimed re forecast data (2026-27 and beyond)	2021-22
Establishment of NSW grant	SFV	\$millions	No	No	
Repayment of grant	SFV	\$millions	No	No	
Need to use grant money (to cover negative liquidity or grant repayments)	Calculation	\$millions	No	No	
Use of grant to cover under-recovery (and subsequent recovery of funds)	Calculation	\$millions	No	No	-
Use of an additional loan (and subsequent recovery of funds)	SFV	\$millions	No	No	
Total	Calculation	\$millions	No	No	-

The contribution determination interest rate is the rate applied to any under or over-recoveries to account for the time value of money.

4.5 Minimum prudent cash balance

Section 56 of the EII Act ~~also~~ requires the AER to set a minimum prudent cash balance for the Fund. The AER seeks to apply a methodology that enables the minimum prudent cash balance to operate as an adaptable, forward-looking risk management tool, reflecting the latest assessment of the risks that may affect the Fund's cash position.

In deciding on this amount, the AER will be informed by consultation with the Scheme Financial Vehicle, which has the best available information regarding the Fund's future cash flows~~-,~~ and engagement with the Consumer Trustee. Additionally, in setting the minimum prudent cash balance, the AER is required to consider:

- the need for the Scheme Financial Vehicle to be able to meet its liabilities as they fall due;⁵⁴ and
- the need to limit variability in contribution determinations from year to year.⁵⁵

Each year, the AER will set a target minimum prudent cash balance and the allowance necessary for the Fund to reach the target level from the previous year's minimum prudent cash balance level.⁵⁶

The minimum prudent cash balance is calculated by estimating the total funding required to manage uncertain liabilities required to be paid out of the Fund, which may include the buffer categories detailed in Table 5 below.

Table 5: Buffers to manage the Fund's liquidity risks

Category of buffer	Description
LTESA buffer	<u>The LTESA buffer manages payment volatility arising from uncertainty in settlement outcomes for generation LTESAs.⁵⁷ This uncertainty primarily reflects the inherent uncertainty of wholesale electricity price forecasts, generation volumes and other factors influencing payment obligations under LTESA arrangements.</u> <u>The Scheme Financial Vehicle estimates generation LTESA costs using forecast market prices from third-party providers, project-specific generation volumes and the settlement mechanics in each LTESA contract. These forecasts are then stress-tested in the minimum prudent cash balance through two components:</u>

⁵⁴ EII Regulations, cl. 35(1)(c)

⁵⁵ EII Regulations, cl. 35(1)(a)

⁵⁶ EII Act, s. 56(3)(a)-)

⁵⁷ The LTESA buffer applies only to generation LTESAs. Long duration storage, firming and demand response LTESAs provide annuity-style payments, with embedded options that are always exercised. As a result, payment outcomes for these LTESA types are sufficiently certain and they are excluded from the LTESA buffer.

	- Reasonably likely LTESA cost variability: reflects realistic but adverse market conditions, informed by historical precedent or sound market logic. This scenario tests whether the Fund can manage reasonably likely fluctuations in wholesale electricity prices and generation volumes. - Unlikely high-impact events: reflects extreme tail-risk market conditions that could materially increase payment obligations. This scenario tests exposure to low wholesale price outcomes beyond the central forecast, using a conservative downside sensitivity (e.g. a P99 type scenario where appropriate). This approach is supported by evidence-based assumptions to ensure outcomes remain plausible and economically grounded. Both of these components are calculated to avoid double counting with the central LTESA forecasts. Where appropriate, the AER will, in consultation with the Scheme Financial Vehicle, seek to manage risks associated with the unlikely high-impact events through liquidity facilities concluded as risk management contracts under section 52 of the EII Act, to mitigate the need to recover cash from NSW electricity consumers. The LTESA buffer is updated for each contribution determination to reflect the latest available LTESA cost forecasts that are finalised in January each year.
Network infrastructure buffer	The network infrastructure buffer provides a funding source for potential infrastructure cost changes that may affect payment obligations from the Fund. These are not captured in the contribution determination's core 3-year average of net costs calculation and are an additional buffer aimed at allowing the Fund to handle cost volatility. The buffer is calculated using lower bound, mid-point and upper bound forecasts of the costs of each infrastructure project, provided by the Infrastructure Planner. The network infrastructure buffer captures all network infrastructure projects delivered under Part 5 of the EII Act. That is, both REZ network infrastructure projects⁵⁸ and priority network infrastructure projects.⁵⁹ The buffer captures costs that arise in circumstances where a revenue determination has and has not been made, as follows: - Where there has not yet been a revenue determination by the AER, the Infrastructure Planner's estimates are used to assess the range of uncertain and potential cost changes for the relevant project. - Where a revenue determination or proposal is in place, the Infrastructure Planner's estimates are used to assess the likely need to use approved adjustment mechanisms to manage both expected and unexpected events. For these projects, the Infrastructure Planner's estimate will involve an assessment of relevant adjustment mechanisms for both routine financial adjustments⁶⁰ and non-routine financial adjustments.⁶¹ Using the dataset of lower bound, mid-point and upper bound estimates for all infrastructure projects provided by the Infrastructure Planner, the AER will apply quantitative and qualitative analysis to calculate an overall network infrastructure buffer (e.g. a Monte Carlo analysis). In setting the buffer, the AER will also use the lower bound, mid-point and upper bound data to assess the likely level of upcoming cost volatility. Each year, the infrastructure buffer will be recalculated using the latest available project information.
Timing mismatch buffer	The timing mismatch buffer manages the timing mismatch between contribution order receipts from DNSPs under section 58 of the EII Act, and payments that are required to be made from the Fund. Outflows from the Fund follow actual expenditure profiles, while DNSP

⁵⁸ A REZ network infrastructure project means a network infrastructure project that forms part of a renewable energy zone, and consists of network infrastructure of a class prescribed by the EII Regulations (EII Act, Dictionary).

⁵⁹ A priority network infrastructure project means a network infrastructure project located in the State, and identified in or forming part of a network infrastructure project identified in a report prepared under or published in accordance with the National Electricity Rules, Chapter 5, 6, or 6A, or an assessment and recommendation by an infrastructure planner under section 63(4A) (EII Act, Dictionary).

⁶⁰ For example, routine financial adjustments include updates for return on equity, actual inflation and return on debt.

⁶¹ For example, non-routine financial adjustments include construction events, contractor events and unavoidable contract variations.

	<u>inflows are received quarterly, based on one-quarter of average net expenditure over three years, and lag the relevant financial year by four months.</u> <u>To calculate the buffer, the Scheme Financial Vehicle models the Fund's forecast daily cash balance across the relevant liquidity risk window. The timing mismatch buffer is then calculated to ensure that the Fund maintains a positive balance and can meet liabilities as they fall due.</u> <u>The buffer is recalculated annually for each contribution determination to reflect updated payment schedules or amounts provided by scheme entities through the cost data collection process.</u>
Counterparty default buffer	<u>The counterparty default buffer manages the risk that an amount payable into the Fund is not received when due because a relevant counterparty defaults on a payment obligation. This reserve provides a buffer against credit exposure associated with forecast inflows and supports the Fund's ability to continue meeting liabilities as they fall due.</u> <u>The SFV considers its risk position in relation to all counterparties on an ongoing basis and submits a proposed counterparty default buffer to the AER as part of the annual contribution determination cycle.</u>

Once the total funding envelope is established and submitted to the AER by the Scheme Financial Vehicle, the AER will consider other available mitigants, such as liquidity facilities or other risk management tools before setting the final minimum prudent cash balance and minimum prudent cash balance adjustment.

While the AER will seek to apply this methodology consistently from year to year, circumstances may arise that require it to be amended or adapted. In determining whether the methodology should be amended or adapted, the AER will consider the following principles:

- whether the adapted methodology is consistent with the requirements, purpose and operation of the EII Act;
- whether the adapted methodology supports the matters the AER must take into account under clause 35 of the EII Regulations;
- whether there has been a material change in the Fund's expected cash flows, payment obligations or exposure to liquidity risk that would warrant such adaptation;
- whether there is a clear and evidence-based justification for adapting the methodology, having regard to the best available information at the time;
- whether the adapted methodology provides an appropriate liquidity buffer against reasonably foreseeable risks; and
- whether any adaptation is appropriately targeted to the issue identified, without introducing unnecessary complexity or extending beyond what is needed to address the relevant risk or operational change.

Figure 7: Extract of minimum prudent cash balance table

Table 5 Minimum prudent balance	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23
Adjustment to reach updated minimum prudent balance	SFV	\$millions	No	No		
Minimum prudent balance	Calculation	\$millions	No	No	0.00	0.00

Table 5 Minimum prudent balance	Source	Unit	Non-disclosure claimed re actuals data (2025-26)	Non-disclosure claimed re forecast data (2026-27 and beyond)	2021-22
Adjustment to reach updated minimum prudent balance	SFV	\$millions	No	No	
Generation LTESA sub-component of minimum prudent balance	SFV	\$millions	No	No	
Minimum prudent balance	Calculation	\$millions	No	No	-

4.6 Energy Data

The energy data to be entered in the 'Energy' worksheet are volumetric energy and peak demand data supplied by the NSW DNSPs. This is the same data as the NSW DNSPs provide to us through the Regulatory Information Notice (RINs) process.

The RIN item 'Total energy delivered DOPED01' is used for volumetric energy and 'DOPSD0201 Non-coincident Summated Raw System Annual Maximum Demand' for peak demand. We require this data to apportion the contribution determination across the three NSW DNSPs.

Figure 8: Extracts of energy data tables

Table 1 Volumetric energy delivered by DNSP - DOPED01		Source	Unit	2021-22	2022-23
Ausgrid		DNSPs	GWh		
Endeavour Energy		DNSPs	GWh		
Essential Energy		DNSPs	GWh		
Total		Calculation	GWh	0	0

Table 2 Peak demand by DNSP - DOPSD0201		Source	Unit	2021-22	2022-23
Ausgrid		DNSPs	MVA		
Endeavour Energy		DNSPs	MVA		
Essential Energy		DNSPs	MVA		
Total		Calculation	MVA	0	0

4.7 Exemptions

The 'Exemptions' worksheet allows for the input of volumetric energy and peak demand data to support the implementation of exemptions for emissions intensive trade exposed entities and green hydrogen producers.

The exemptions data is sourced from NSW DNSPs, who submit this data after being informed of the eligible national meter identifiers by the Department.

The exemptions are as defined in clause 37 of the EII Regulations.

Clause 36 of the EII Regulations requires the AER to provide each DNSP with a notice setting out the percentage of the contribution determination relating to LTES agreements for generation infrastructure, within one week after the contribution determination is published in the Gazette.

The AER's contribution determinations capture generation LTESA costs both in central generation LTESA cost forecasts that underpin the 3-year average of net costs calculation and, in addition, in 'stressed' generation LTESA forecast costs that constitute the LTESA buffer component of the minimum prudent cash balance.

The central forecasts are inherently uncertain and are updated with revised forecasts each year. If exempted parties were exempted for a forecast as at a target year and the forecast for that year is later revised, then this could result in exempted parties being over or under compensated. At the same time, the minimum prudent cash balance is adjusted each year and is held in the Fund as a stock. If exempted parties were exempted twice for the same LTESA costs embedded within the minimum prudent cash balance, this would constitute 'double counting' and result in exempted parties being overcompensated.

To ensure exempted parties receive the correct exemptions under section 37(2)(b) of the EII Regulations, the AER will maintain a running account of the amount of generation LTESA costs captured in the central forecasts and minimum prudent cash balance for each contribution determination. The total generation LTESA costs to be input into the percentage calculation under clause 36 will be adjusted each year to reflect the cumulative position on a rolling basis. The approach to calculation of the percentage is set out in section 5.7 below.

Figure 9: Extracts of exemptions data tables

Table 2 Volume of energy delivered to emissions intensive trade exposed entities		Source	Unit	2021–22	2022–23
DNSP					
Ausgrid		SFV	GWh		
Endeavour Energy		SFV	GWh		
Essential Energy		SFV	GWh		

Table 4 Volume of energy delivered to green hydrogen producers		Source	Unit	2021–22	2022–23
DNSP					
Reference year					
Ausgrid	2022	SFV	GWh		
Ausgrid	2023	SFV	GWh		
Ausgrid	2024	SFV	GWh		
Ausgrid	2025	SFV	GWh		
Ausgrid	2026	SFV	GWh		
Ausgrid	2027	SFV	GWh		
Ausgrid	2028	SFV	GWh		
Ausgrid	2029	SFV	GWh		
Ausgrid	2030	SFV	GWh		
Endeavour Energy	2022	SFV	GWh		
Endeavour Energy	2023	SFV	GWh		
Endeavour Energy	2024	SFV	GWh		
Endeavour Energy	2025	SFV	GWh		
Endeavour Energy	2026	SFV	GWh		
Endeavour Energy	2027	SFV	GWh		
Endeavour Energy	2028	SFV	GWh		
Endeavour Energy	2029	SFV	GWh		
Endeavour Energy	2030	SFV	GWh		
Essential Energy	2022	SFV	GWh		
Essential Energy	2023	SFV	GWh		
Essential Energy	2024	SFV	GWh		
Essential Energy	2025	SFV	GWh		
Essential Energy	2026	SFV	GWh		
Essential Energy	2027	SFV	GWh		
Essential Energy	2028	SFV	GWh		
Essential Energy	2029	SFV	GWh		
Essential Energy	2030	SFV	GWh		

Table 5 Amount of peak demand for green hydrogen producers		Source	Unit	2021–22	2022–23
DNSP					
Reference year					
Ausgrid	2022	SFV	MVA		
Ausgrid	2023	SFV	MVA		
Ausgrid	2024	SFV	MVA		
Ausgrid	2025	SFV	MVA		
Ausgrid	2026	SFV	MVA		
Ausgrid	2027	SFV	MVA		
Ausgrid	2028	SFV	MVA		
Ausgrid	2029	SFV	MVA		
Ausgrid	2030	SFV	MVA		
Endeavour Energy	2022	SFV	MVA		
Endeavour Energy	2023	SFV	MVA		
Endeavour Energy	2024	SFV	MVA		
Endeavour Energy	2025	SFV	MVA		
Endeavour Energy	2026	SFV	MVA		
Endeavour Energy	2027	SFV	MVA		
Endeavour Energy	2028	SFV	MVA		
Endeavour Energy	2029	SFV	MVA		
Endeavour Energy	2030	SFV	MVA		
Essential Energy	2022	SFV	MVA		
Essential Energy	2023	SFV	MVA		
Essential Energy	2024	SFV	MVA		
Essential Energy	2025	SFV	MVA		
Essential Energy	2026	SFV	MVA		
Essential Energy	2027	SFV	MVA		
Essential Energy	2028	SFV	MVA		
Essential Energy	2029	SFV	MVA		
Essential Energy	2030	SFV	MVA		

5 Calculations

The calculations worksheets provide the calculations that underlie the outputs. These include calculations of 3-year rolling averages of net costs, the true-up adjustment, the exempted energy data, the total contribution determination amount, and the apportionment of the contribution determination amount to the NSW DNSPs.

5.1 Summarise revenues and costs

The overall costs and revenues are calculated in the worksheet *Net Costs*, where the revenues and net expenditure are calculated and summarised.

Figure 10: Extract of revenues and expenditure summary table

Table 1 Summary of revenues and expenditure		Unit	2021–22	2022–23	2023–24
Revenue (excluding contribution determinations)					
LTESA - Generation	\$millions				
LTESA - LDS & Firming	\$millions				
Risk management contracts	\$millions				
Access fees	\$millions				
Payments for shortfall in carbon offsets (LTESA for firming infrastructure)	\$millions				
Revenues from investment activities	\$millions				
Other revenue	\$millions				
Total	\$millions				
Expenditure (and loan repayments)					
LTESA - Generation	\$millions				
LTESA - LDS & Firming	\$millions				
Risk management contracts	\$millions				
Payments to network operators	\$millions				
AER administration costs	\$millions				
Consumer Trustee administration costs	\$millions				
Financial Trustee administration costs	\$millions				
SFV administration costs	\$millions				
IPART administration costs	\$millions				
EPA administration costs	\$millions				
EnCo administration costs	\$millions				
Access scheme costs (excluding administration costs and community payments)	\$millions				
Community payments	\$millions				
EPA invoices for shortfall in carbon offsets (LTESA for firming infrastructure)	\$millions				
Interest and finance cost of loans (including additional loans and liquidity facilities)	\$millions				
Other costs	\$millions				
Total	\$millions				

5.2 3-year rolling average

The 3-year rolling average of net costs is calculated from the annual net costs, being the difference between the costs and revenues for each period. The rolling average for a current contribution determination applies the 2-years leading and 1-year lagging principle, and calculates the average of the $t-1$, t and $t+1$ years. The 3-year rolling average reflects a Department policy position.⁶² The 3-year average method helps to smooth bill volatility for NSW electricity consumers, in line with clause 35(1)(a) of the EII Regulations.

The benefits of applying a 3-year rolling average include smoothing bill volatility for NSW electricity consumers arising from volatility in wholesale market costs, providing the Scheme Financial Vehicle liquidity by “frontloading” liquidity from later periods, and matching costs to benefits.

⁶² OECC, *Electricity Infrastructure Roadmap, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020)*, p. 19.

Figure 11: Extract of calculation of 3-year rolling average of net costs

Table 2 Calculation of 3-year rolling average of net costs	Unit	2021–22	2022–23
Total revenue (excluding contribution determinations)	\$millions		
Total expenditure (and loan repayments)	\$millions		
Net costs	\$millions		
3-year rolling average of net costs	\$millions		

5.3 True-up adjustment

The true-up adjustment is made to set the closing balance of the unders-and-overs account to zero for the target year (t). This mechanism ensures that the difference between estimated and actual costs, as well as differences due to revisions to forecasts, are recovered in the contribution determination. It allows the Scheme Financial Vehicle to fully recover its costs.

The adjustment is calculated based on under and over recoveries in all previous years (for which a determination has been made). If the total net costs were below what was provided for in a contribution determination, the over-recovered revenue would be returned to NSW electricity consumers (through the NSW DNSPs) via this unders and overs mechanism in the next determination year.

The calculations for the true-up and contribution determination are in the Adjustments worksheet.

Figure 12: Extract of true-up mechanism table

Table 1 True up	Unit	2021–22	2022–23
Contribution determination actual revenue	\$millions		
Contribution determination amount (recalculated)	\$millions		
Net under/over-recovery	\$millions		
Interest rate applicable to balance	Per cent		
Opening balance	\$millions		
Interest on opening balance	\$millions		
Net under/over-recovery of revenue excluding true up adjustment (to avoid double counting)	\$millions		
Interest on under/over-recovery	\$millions		
Interest on under/over-recovery where grant was used	\$millions		
Closing balance	\$millions		

Table 2 Contribution determination calculation	Unit	2021–22	2022–23
3-year rolling average of net costs	\$millions		
True up adjustment	\$millions		
Minimum prudent balance adjustment	\$millions		
Adjustment for grants and loans	\$millions		
Contribution determination amount	\$millions		

First, the net under/over recovery of revenue is calculated for the previous ($t-2$) and current ($t-1$) years, which is the difference between the recalculated recovery amount (the 3-year rolling average of net costs plus adjustments) and actual revenue from NSW DNSP contributions (or determination amounts when actuals are not available).

These under/over recoveries are used in the unders-and-overs account (less any true-up adjustment in the same year) and are subject to a half-year interest adjustment in the year they occur before inclusion in the closing balance. This is because we assume that the under/over recovery is spread over the year, and on average occurs half a year from closing.

The closing balance is carried forward to the subsequent year as the opening balance. The opening balance attracts a whole year of interest before inclusion in the closing balance.

The true-up adjustment is the amount added to the current contribution determination to bring the closing balance of the unders-and-overs account for the determination to zero. This

adjustment is equal to the opening balance plus half a year of interest on the adjustment amount because the payments occur in four equal payments over the year.

5.4 Amount for volumetric apportionment

To calculate the split between the “volumetric energy” component and the “peak demand” component, the long-term energy service agreement costs for generation are assigned to the “volumetric energy” category, while all other elements of net costs are assigned to “peak demand.”

The percentage split is smoothed by 3-year rolling average to avoid undue volatility in the apportionment of costs.

The total contribution determination amount is split between volumetric energy and peak demand components using this smoothed percentage split.

Figure 13: Extract of contribution determination components table

Table 3.1 Split between LTESA (Generation) and other cost categories		Unit	2021–22	2022–23
Net costs in current year		\$millions		
Amount of net costs attributable to LTESAs (Generation)		\$millions		
Amount of net costs attributable to all other cost categories		\$millions		
Three year rolling average of proportion attributable to LTESAs (Generation)		Per cent		
Three year rolling average of proportion attributable to all other cost categories		Per cent		
Contribution determination amount		\$millions		
Amount of contribution determination attributable to LTESAs (Generation)		\$millions		
Amount of contribution determination attributable to all other cost categories		\$millions		

5.5 Apportionment to DNSPs

The volumetric energy component of the contribution determination amount is allocated between the NSW DNSPs using each DNSP’s share of annual volumetric energy delivered, after accounting for exemptions⁶³ for emissions intensive trade exposed entities and green hydrogen producers.

Similarly, this allocation process is applied to the “peak demand” component using each NSW DNSP’s share of annual peak demand after exemptions.

Figure 14: Extract of volumetric energy by DNSP table

Table 1.1 Overall volumetric energy delivered		Unit	2021–22	2022–23
Ausgrid		GWh		
Endeavour Energy		GWh		
Essential Energy		GWh		
Total		GWh		

The amount payable by each DNSP in the contribution determination is the sum of these two apportioned amounts for volumetric energy and peak demand.

5.6 Apply exemptions

The application of exemptions to the apportionment across the NSW DNSPs involves calculating apportionment rates after exemptions.

We calculate exempt volumetric energy and peak demand amounts for each DNSP using exemption rates for the different types of exemptions (and reference years for green

⁶³ EII [Regulation Regulations](#), s. 37

hydrogen producers). These exempt amounts are netted off the energy data from the DNSPs, to arrive at energy data after exemptions.

The energy data after exemptions are used to calculate apportionment rates, which are the shares in volumetric energy or peak demand for each DNSP.

Figure 15: Extract of volumetric energy apportionment tables

Table 1.2 Exempt volumetric energy for emissions intensive trade exposed entities		Unit	2021–22	2022–23	2023–24	2024–25
Exemption rate						
(Per cent of volumetric energy exempted)		Per cent	Value			
			90%			
Volumetric energy delivered to exempt entities (actuals data)						
Ausgrid		GWh				
Endeavour Energy		GWh				
Essential Energy		GWh				
Total		GWh				
Amount of volumetric energy exempted (brought forward to current year)						
Ausgrid		GWh				
Endeavour Energy		GWh				
Essential Energy		GWh				
Total		GWh				

Table 1.3 Exempt volumetric energy for green hydrogen producers		Unit	2021–22	2022–23	2023–24	2024–25
Exemption rate by reference year						
2028 or earlier	Percent of volumetric energy exempted	Per cent	Value			
2029	Percent of volumetric energy exempted	Per cent	90%			
2030	Percent of volumetric energy exempted	Per cent	60%			
2031 onwards	Percent of volumetric energy exempted	Per cent	30%			
		Per cent	0%			
Volumetric energy delivered to exempt entities by reference year						
Ausgrid	2028 or earlier	GWh				
Ausgrid	2029	GWh				
Ausgrid	2030	GWh				
Ausgrid	2031 onwards	GWh				
Endeavour Energy	2028 or earlier	GWh				
Endeavour Energy	2029	GWh				
Endeavour Energy	2030	GWh				
Endeavour Energy	2031 onwards	GWh				
Essential Energy	2028 or earlier	GWh				
Essential Energy	2029	GWh				
Essential Energy	2030	GWh				
Essential Energy	2031 onwards	GWh				
Total		GWh				
Volumetric energy delivered to exempt entities						
Ausgrid		GWh				
Endeavour Energy		GWh				
Essential Energy		GWh				
Total		GWh				
Amount of volumetric energy exempted						
Ausgrid		GWh				
Endeavour Energy		GWh				
Essential Energy		GWh				
Total		GWh				

Table 1.4 Proportion of exempted volumetric energy attributable to each DNSP		Unit	2021–22	2022–23	2023–24	2024–25
Amount of volumetric energy delivered (brought forward to current year)						
Ausgrid		GWh				
Endeavour Energy		GWh				
Essential Energy		GWh				
Total		GWh				
Amount of volumetric energy exempted (all exemptions)						
Ausgrid		GWh				
Endeavour Energy		GWh				
Essential Energy		GWh				
Total		GWh				
Amount of volumetric energy delivered after exemptions						
Ausgrid		GWh				
Endeavour Energy		GWh				
Essential Energy		GWh				
Total		GWh				
Proportion of total volumetric energy attributable to each DNSP						
Ausgrid		Per cent				
Endeavour Energy		Per cent				
Essential Energy		Per cent				
Total		Per cent				
Proportion of volumetric energy attributable to each DNSP after exemptions						
Ausgrid		Per cent				
Endeavour Energy		Per cent				
Essential Energy		Per cent				
Total		Per cent				

The total volumetric energy after exemptions is calculated. The proportion of the total volumetric energy consumption for each NSW DNSP is applied to the volumetric energy component cost to determine the volumetric energy component cost for each NSW DNSP.

The same process is applied to the “peak demand” component using the “peak demand” exemption rate.

Figure 16: Extract of cost apportionment between DNSPs tables

Table 3.2 Apportionment of amounts		Unit	2021–22	2022–23
Apportioned amount for LTESAs (generation)				
Ausgrid		\$millions		
Endeavour Energy		\$millions		
Essential Energy		\$millions		
Total		\$millions		
Apportioned amount for all other cost categories				
Ausgrid		\$millions		
Endeavour Energy		\$millions		
Essential Energy		\$millions		
Total		\$millions		
Apportioned contribution determination amounts				
Ausgrid		\$millions		
Endeavour Energy		\$millions		
Essential Energy		\$millions		
Total		\$millions		

5.7 Calculation of percentage of contribution determination that relates to generation LTESAs

As explained in section 4.7, the AER is required to calculate the percentage of the contribution determination that relates to generation LTESAs. The AER applies a ‘running account’ approach so that each year’s percentage reflects the corrected generation LTESA costs based on the latest revised generation LTESA central forecasts and the latest generation LTESA buffer component of the minimum prudent cash balance. The running account approach:

- calculates the total amount of generation LTESA costs that have been subject to the exemptions calculations based on the historical dataset as at the previous year, which establishes a baseline.
- adjusts against the baseline to arrive at a corrected cumulative total amount of generation LTESA costs to be subject to the exemption calculations, based on the revised forecasts and adjustments to the minimum prudent cash balance as at the point in time of each contribution determination in February each year.

For the purposes of section 36, we treat all hybrid LTESA costs as generation LTESA costs.

5.7.1 The running account for the central generation LTESA forecasts

The contribution determination captures three forecast years. The forecast costs in relation to generation LTESAs for these forecast years are inherently uncertain and subject to change from year to year. Each year, the AER adopts the latest revised forecast for each forecast year (t-1, t and t+1), as well as the actual amount for the t-2 year.

For the purposes of the running account, the historical dataset as at the previous year is compared to revised forecasts as at the point in time of each contribution determination to calculate an adjustment amount. The adjustment amount reflects the corrected cumulative total amount of generation LTESA costs that should be subject to the exemptions calculations as at the target year.

Table 6 illustrates the running account calculation of generation LTESA costs captured in the central forecast. Essentially, we compare the updated dataset in the purple row against the

historical dataset in the blue row. Bolded reference years indicate 3-year rolling average years that contain actuals data. Where a reference year has three actuals years, we adopt the actuals value only. For example, in the current contribution dataset (the purple row), the 3-year rolling average at the t-3 reference year only contains years with actuals data. In these cases, the calculations adopt the relevant actuals data point only (as forecasts are no longer relevant because the actuals data points are known).

Table 6: Comparison of historical generation LTESA forecasts against revised generation LTESA forecasts as at target year

	t-3	t-2	t-1	t	
Previous contribution determination data set	(captures t-4, t-3, t-2 , so t-3 only is adopted) Actuals data as at reference year	(t-3, t-2, t-1) Average of three reference years	(t-2, t-1, t) Average of three reference years	(t-1, t, t+1) Average of three reference years	
	t-4	t-3	t-2	t-1	t
Current contribution determination data set	(captures t-5, t-4, t-3 , so t-4 only is adopted) Actuals data as at reference year	(captures t-4, t-3, t-2 , so t-3 only is adopted) Actuals data as at reference year	(t-3, t-2, t-1) Average of three reference years	(t-2, t-1, t) Average of three reference years	(t-1, t, t+1) Average of three reference years

Figure 17: Extract of comparison of historical generation LTESA forecasts against revised generation LTESA forecasts as at target year tables

Table 3.1 Comparison of historical generation LTESA forecasts against revised generation LTESA forecasts as at target year	Unit	2021-22
3-year average generation LTESA forecast as at reference year (as a baseline for running account calculation)		
3-year average generation LTESA forecast as at reference year	\$millions	
3-year average generation LTESA forecast as at target year (revised forecasts as at target year)		
3-year average generation LTESA forecast as at target year	\$millions	

5.7.2 The running account for the ‘stressed’ generation LTESA forecasts captured in the minimum prudent cash balance

The minimum prudent cash balance operates as a stock that may increase or decrease from one year to the next as the Fund’s risk profile changes. If the percentage were to account for the total generation LTESA costs captured in the minimum prudent cash balance each year, the method would result in ‘double counting’ and overcompensate exempted parties, because the balance is a stock and is not linked to actual payments out of the Fund.

To arrive at the correct exemption, the percentage reflects only the generation LTESAs embedded within any adjustment to arrive at the target minimum prudent cash balance as at each target year. Like the approach regarding the generation LTESAs captured in the central forecast, the adjustment amount reflects the corrected cumulative total amount of generation LTESA costs that should be subject to the exemptions calculations as at the target year.

5.7.3 Overall running account calculations

To implement the overall running account, the corrected central forecast amount and the adjustment to the minimum prudent cash balance are summed together to arrive at a total generation LTESA amount that reflects the corrected cumulative total of generation LTESA costs subject to exemptions as at the target year.

The calculations are set up such that the running account arrives at a closing balance in the year prior to the target year, to which a time value of money adjustment is applied to bring the closing balance forward to the target year.

Figure 18: Extract of running account of exempted amounts in relation to generation LTESA tables

Table 3.3 Running account of exempted amounts in relation to generation LTESAs		Unit	2021-22
Running account			
Opening balance as at target year (equal to closing balance as at previous year with time value of money adjustment)		\$millions	
Correct amount subject to exemptions as at target year		\$millions	
Adjustment to achieve corrected amount as at target year		\$millions	
Historical 3-year average LTESA forecast as (at reference year)		\$millions	
Historical amount included in minimum prudent cash balance (as at reference year)		\$millions	
Closing balance (as at reference year)		\$millions	
Breakdown of contribution determination by energy type			
Contribution determination amount		\$millions	
Amount of contribution determination attributable to LTESAs(Generation) (volumetric)		\$millions	
Amount of contribution determination attributable to all other cost categories (peak demand)		\$millions	

6 Outputs

The outputs worksheets (*Validation*, *Tables* and *Historical outputs*) provide:

- the headline numbers for the contribution determination, being the total contribution determination amount and the contributions to be recovered by each NSW DNSP for the relevant contribution determination period (calculated as set out in chapter 5).
- the minimum prudent cash balance for the Fund.
- the percentage of the contribution determination relating to LTES agreements for generation infrastructure for each DNSP (after exemptions).
- the energy data (total and exempted) for each DNSP.
- the headline numbers from all years when a contribution determination was made.

6.1 Minimum prudent cash balance allowance

The minimum prudent cash balance allowance provides⁶⁴ the Scheme Financial Vehicle with the necessary liquidity to remain solvent. The item *minimum prudent cash balance* on the *Financials* worksheet provides the minimum prudent cash balance target level and the adjustment needed to reach the target from the previous year's minimum prudent cash balance.

The *Tables* worksheet gives the total minimum prudent cash balance target. However, the total contribution determination amount only embeds the adjustment needed (the difference from the minimum prudent cash balance in the preceding year).

Figure 194719: Extract of contribution determination output tables

Table 1 Contribution determination for target year (t)		Unit	2024–25
Ausgrid		\$millions	
Endeavour Energy		\$millions	
Essential Energy		\$millions	
Contribution determination amount		\$millions	
Minimum prudent balance allowance		\$millions	

6.2 Negative contribution determination

If the total contribution amount is a negative number, we will issue the negative contribution amount as the contribution determination (following processes set out in this guideline).

If there is a negative contribution determination, the Scheme Financial Vehicle will consider whether it is appropriate to carry the balance into the next contribution determination, based on relevant subsidiary policies under the risk management framework, or return the amount to NSW consumers passed through as negative jurisdictional scheme tariffs by DNSPs.⁶⁵ The Consumer Trustee is incorporating policies to cover this scenario into its Treasury Policy and Liquidity Policy, which are subsidiary policies to the section 51 risk management framework approved by the AER.

⁶⁴ EII Act, s. 53(3)

⁶⁵ For example, the treasury and liquidity policies that are subsidiary policies to the risk management framework under section 51(1), EII Act.

7 Contribution determination gazettal notice

Section 56(5) of the EII Act requires the AER to publish its contribution determination in the NSW Gazette by no later than 28 February before the beginning of the financial year to which the contribution determination is to apply.

Our gazetted contribution determination each February will be brief, setting out:

1. How we have made our contribution determination, which will be demonstrated in the completed model (redacted for ~~valid confidentiality~~accepted non-disclosure claims) and in line with this guideline.⁶⁶
2. A total contribution determination amount for the upcoming financial year.⁶⁷
3. The minimum prudent cash balance for the Fund.⁶⁸
4. The amount required to be paid by each NSW DNSP (being the total contribution determination amount apportioned across Ausgrid, Endeavour Energy and Essential Energy).⁶⁹

Upon gazettal, we will publish our contribution determination and the completed model (subject to ~~confidentiality~~non-disclosure claims) on our website.

We intend to publish on our website a version of the completed model with all underlying ‘actuals’ data (i.e., data in relation to the *t*-2 year) as submitted by the Scheme Financial Vehicle to increase the transparency for stakeholders as to the Roadmap’s costs.

We expect that, initially, there may be a significant volume of data redacted from the model we publish. This is because of ongoing tenders for contestable network infrastructure and long-term energy service agreements respectively. Over time, we expect that less data will be subject to ~~confidentiality~~non-disclosure claims and will therefore be able to be published, particularly as actuals data filters through in the coming years.

It is the responsibility of each scheme entity to submit a public and confidential version of its model and supporting information. Using the input templates provided to each scheme entity, scheme entities must provide a reason to the AER for each confidentiality claim.

7.1 Non-disclosure claims

The AER has a general obligation to protect information given to it in confidence in, or in connection with, the performance of its functions or exercise of its power under section 44AAF of the *Competition and Consumer Act 2010* (Cth). Section 75 of the EII Act provides that a person must not disclose information obtained in connection with the administration or exercise of the EII Act unless that disclosure is made in one of the prescribed circumstances, including “in connection with the administration or execution of this Act”.⁷⁰

⁶⁶ EII Act, s.56(4)

⁶⁷ EII Act, s.56(1)

⁶⁸ EII Act, s. 56(3)(a)

⁶⁹ EII Act, s. 56(3)(b)

⁷⁰ EII Act, section 75(1)(b)

In applying these guidelines, the non-disclosure framework for a contribution determination is guided by a number of principles. These include, but are not limited to:

- Information on non-disclosure claims provided by NSW Roadmap entities.
- Transparency for stakeholders regarding NSW Roadmap costs (e.g., for the electricity consumers who bear the costs).
- The potential for some data points to undermine ongoing competitive tender processes for network infrastructure and long-term energy service agreements.
- The potential to disclose commercially sensitive information.

Table 7 below sets out our general approach to handling non-disclosure claims.

Table 7: Summary of approach to handling non-disclosure claims

<u>Data category</u>	<u>Publication Approach</u>	<u>Reasons for Publication Approach</u>
<u>Network costs</u>	<u>Redact forecast cost data (the t-1, t and t+1 years), but publish historical actuals data (t-2 year) and earlier.</u>	<u>The forecast data could undermine ongoing competitive processes, but the actuals data is historical and no longer relevant to current competitive processes.</u>
<u>Long-term energy service agreements</u>	<u>Redact forecast cost data (the t-1, t and t+1 years), but publish historical actuals data (t-2 year) and earlier.</u>	<u>The forecast data could undermine ongoing competitive processes, but the actuals data is historical and no longer relevant to current competitive processes.</u>
	<u>Redact data related to calculation of percentage required under clause 36 of EII Regulations. The underlying generation LTESA data will be published in line with the approach set out in the above cell.</u>	
<u>Administration costs</u>	<u>Publish</u>	<u>To promote transparency for electricity consumers.</u>
<u>Financial parameters</u>	<u>Publish</u>	<u>To promote transparency for electricity consumers.</u>
<u>Capacity investment scheme (CIS) data</u>	<u>Redact</u>	<u>If published, this data could potentially undermine CIS competitive tenders.</u>

8 Notice of percentage of the contribution determination relating to LTES agreements for generation infrastructure

The EII Regulations require us to provide each NSW DNSP with a notice setting out the percentage of the contribution determination that relates to LTESAs⁷¹ for generation infrastructure within their distribution area, within 1 week after our contribution determination is published in the gazette.⁷²

This information is confidential as its disclosure may compromise competitive tender processes in relation to network infrastructure projects and long-term energy service agreements, respectively.

The EII Regulations permit us to include in our guidelines matters relating to the limitations on the flow of information from or within the network operator if there is the potential for a competitive advantage or disadvantage to arise.⁷³ As such, we require, that the NSW DNSPs implement a ‘ring-fencing’ arrangement for the purposes of managing the Data Point, as follows:

- each NSW DNSP shall create an ‘exemptions data administration unit’, comprising the officer-level and executive-level staff authorised to handle the data point.
- the Data Point must not be disclosed to any person outside the ‘exemptions data administration unit’.
- no staff within the ‘exemptions data administration unit’ may be the same staff as those working in connection with bids for network infrastructure projects.
- the Data Point must not be used in connection with bids for network infrastructure projects.

We consider the above will likely only impose an administrative overlay on the NSW DNSPs, such that specific staff would be designated as forming part of the unit for operational purposes. We do not envisage that the NSW DNSPs would need to change existing administrative structures.

We also note that disclosure of the Data Point outside the ‘exemptions data administration unit’ may constitute a breach of the information disclosure provisions in section 75 of the EII Act.

Figure 20: Extract of percentage of contribution determination related to LTESAs for generation for each DNSP tables

Table 3.4 Percentage of contribution determination related to LTESAs for generation for each DNSP		Unit	2021–22
DNSP			
Ausgrid		Per cent	
Endeavour Energy		Per cent	
Essential Energy		Per cent	
Total		Per cent	

⁷¹ Long-term energy service agreements under Part 6 of the EII Act.

⁷² Clause 36 of the Regulations

⁷³ Clause 42(1)(a)(iii) of the Regulations

9 Variation of contribution determination

The EII Act permits us to vary a contribution determination, if it appears to us that:

1. the Scheme Financial Vehicle will not be able to meet its liabilities as they fall due, or
2. the cash balance of the Fund has fallen, or is likely to fall, below the minimum prudent cash balance specified in the determination.

The EII Act also requires us to publish on our website guidelines about the exercise of our functions (i.e., to vary a contribution determination).

While this chapter of the guideline sets out the process and circumstances for considering a variation, it is likely there would need to be extenuating circumstances for us to consider varying a contribution determination. This is because of the way the contribution determination feeds into our regulatory functions under the NER (see Figure 1). Specifically:

- We gazette our contribution determination in February each year
- Scheme Financial Vehicle issues contribution orders to NSW DNSPs
- NSW DNSPs pay into the Fund managed by the Scheme Financial Vehicle
- NSW DNSPs submit annual pricing proposals to us in March each year. This includes the contribution determination amount, which is a cost passed directly through to NSW electricity consumers (via retail bills) as a jurisdictional scheme amount under the NER.

Should we vary a contribution determination outside of this broader regulatory pricing framework, we would be enabling the Scheme Financial Vehicle to issue additional contribution orders to the NSW DNSPs. The NSW DNSPs would be obligated to make the required contributions to the Fund, but unable to pass those costs on to consumers until the next annual pricing process.

Consequently, the DNSPs would be funding the Roadmap's costs and liabilities for the intervening period. This would be contrary to the NSW Government's and the NER's intent. The Department stated in its policy paper:

It is not intended that distribution businesses or retailers be the financing vehicle for the Fund, and they are not expected to be worse off due to their role in relation to the Fund. Rather, their role is to manage the application of cost pass-through to consumers either as a jurisdictional scheme in the case of distribution businesses or to consumers for retailers.

To vary a contribution determination would likely result in a greater increase to NSW electricity consumers than would otherwise have been the case at the next annual pricing review. This is because the contribution determination costs for the coming financial year would be passed on simultaneously with the costs of a variation.

Further, the Scheme Financial Vehicle should act in a commercially reasonable and prudent way and is expected to comply with the risk management framework and subsidiary policies that include Treasury and Liquidity policies and other strict governance arrangements. It also has access to a liquidity facility. The Scheme Financial Vehicle, operating under these and

other reporting and accounting mechanisms, should be able to manage the Fund in such a way that a variation is not necessary.

Against this background, we would adopt the following process in considering whether to vary a contribution determination:

1. The Scheme Financial Vehicle is to write to us, detailing the following (with reasons and supporting material):
 - a) That the Scheme Financial Vehicle will not be able to meet its liabilities as they fall due, including the specific liabilities and amounts, or
 - b) That the cash balance of the Fund has fallen below a sustainable level.
2. The steps the Scheme Financial Vehicle has taken to raise necessary funds and the outcomes of such steps.
3. Modelling to support the variation the Scheme Financial Vehicle thinks is required.
4. In considering the information provided by the Scheme Financial Vehicle, we may:
 - a) Consult with the Financial Trustee, Consumer Trustee or DNSPs
 - b) Seek further information from the Scheme Financial Vehicle and other scheme entities as required.
 - c) Seek independent advice.
5. We will advise the Scheme Financial Vehicle of our decision whether to vary a contribution determination as soon as practicable.

Glossary

Term	Definition
AER	Australian Energy Regulator
Contribution Determination	The annual contribution determination to be made by the AER as Regulator under section 56 of the EII Act.
Contribution Determination Guideline	This guideline, which sets out our method and process for making contribution determinations.
Contribution Determination Model	The Excel-based model that calculates the contribution determination amounts.
Contribution Order	The contribution orders issued by the Scheme Financial Vehicle to Designated Network Service Providers under section 58 of the EII Act.
Consumer Trustee	A person or body authorised under section 60 of the EII Act to exercise the functions of the Consumer Trustee. The Consumer Trustee is required to act independently and in the long-term financial interests of NSW electricity consumers. AEMO Services Ltd has been appointed to undertake this role.
Department	Department of Climate Change, Energy, the Environment and Water (formerly, the NSW Office of Energy and Climate Change)
DNSP	A distribution network service provider which, for the purposes of the EII Act, has the same meaning as in the NER.
Financial Trustee	A person or body authorised under section 61 of the EII Act to exercise the functions of the Financial Trustee. Equity Trustees Limited has been appointed to undertake this role.
Fund	Electricity Infrastructure Fund
EII Act	Electricity Infrastructure Investment Act 2020 (NSW)
EII Regulation	Electricity Infrastructure Investment Regulation 2021 (NSW)
Infrastructure Planner	A person authorised to exercise the functions of an Infrastructure Planner under section 63 of the EII Act. The Infrastructure Planner performs a range of planning and contracting functions. The Energy Corporation of NSW has been appointed to undertake this role for the five REZs specified in the EII Act.
IPART	NSW Independent Pricing and Regulatory Tribunal
NEL	National Electricity Law
NER	National Electricity Rules
Network infrastructure project	A REZ Network Infrastructure Project or Priority Transmission Infrastructure Project as defined under the EII Act.
Regulations	Any regulations made under the EII Act.
Regulator	A person or body authorised under section 64 of the EII Act to exercise the functions of a regulator.
REZ	Renewable Energy Zone, being the geographical area of NSW and the infrastructure specified in a declaration by the Minister under section 19 of the EII Act.
Roadmap	NSW Electricity Infrastructure Roadmap

Term	Definition
Scheme Financial Vehicle	A person or body authorised under section 62 of the EII Act to exercise the functions of the Scheme Financial Vehicle.
Scheme Entities	Consumer Trustee, Financial Trustee, Infrastructure Planner, regulators and Scheme Financial Vehicle
Year notations	As at the point in time of the February gazettal of the contribution determination each year (this is the t-1 year): - <i>actuals year</i> refers to the preceding financial year (the t-2 year e.g., as at October 2024, this would cover FY 23–24). - <i>current year</i> refers to the current financial year (the t-1 year e.g., as at October 2024, this would cover FY 24–25). - <i>upcoming year</i> refers to the subsequent financial year (the t+1 year e.g., as at October 2024, this would cover FY 25–26), which is the year to which the contribution determination applies. - <i>forecast years</i> refers to the: - o t+2 financial year (e.g., as at October 2024, this would cover FY 26–27), and - o t+3 financial year (e.g., as at October 2024, this would cover FY 27–28).