Australian Government

AUSTRALIAN ENERGY REGULATOR

Explanatory Statement

Final amendments to the NSW Electricity Infrastructure Fund – Contribution Determination Guideline

September 2026

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1 Introduction

We published our draft *NSW Electricity Infrastructure Fund Contribution Determination Guideline* (Guideline) and associated *NSW Electricity Infrastructure Fund Contribution Determination Model* (Model) for public consultation on 22 July 2026. Submissions closed on 19 August 2026. This explanatory statement accompanies our final Guideline and Model. It sets out our reasons for the amendments made to our Guideline and Model in response to stakeholder submissions.

The Guideline sets out our approach to making annual contribution determinations under section 56 of the *Electricity Infrastructure Investment Act 2020* (NSW) (EII Act), including the process and method for how the AER makes a contribution determination, as well as the roles and responsibilities of each scheme entity. The Model operationalises our method for making contribution determinations.

1.1 Purpose

The NSW Electricity Infrastructure Roadmap (Roadmap) was established under the EII Act to support the NSW energy transition through coordinated investment in generation, storage and network infrastructure.

In the early years of the Roadmap's implementation, there was a relatively high degree of uncertainty regarding the timing, profile and magnitude of forecast costs. As a result, the AER has throughout those years adopted a flexible approach to making annual contribution determinations that reflects the circumstances of the relevant determination year.

As the Roadmap matures, it is timely to review the Guideline and Model to ensure the contribution determination framework remains fit for purpose and appropriately reflects the policy considerations outlined below.

1.2 Policy considerations

In undertaking our review and finalising the Guideline and Model, we have been informed by several policy considerations that underpin the effective operation of the contribution determination framework. The key policy considerations are as follows:

- **Ensuring the Scheme Financial Vehicle can meet its liabilities as they fall due:** Section 56(1) of the EII Act requires the AER to determine the amount needed for the Scheme Financial Vehicle to make payments from the Electricity Infrastructure Fund (Fund) for a financial year, including the amount needed to meet its liabilities as they fall due. This is the primary obligation under the framework, and we have therefore carefully weighed this against all other policy considerations. A key challenge for the AER is that contribution determinations require a forward-looking assessment of the cash the Fund will need to meet liabilities at a future point in time. This requires the AER to balance the need to maintain sufficient liquidity to manage cost volatility and reasonably foreseeable liquidity risks against the need to avoid unnecessary cost impacts for NSW electricity consumers. The AER's contribution determination settings may also affect the NSW Scheme Financial Vehicle's credit rating, which has flow-on impacts for financing costs across the scheme. We therefore seek to strike a balance between preserving the

Fund's solvency within appropriate risk tolerance limits, while mitigating cost impacts on NSW electricity consumers.

- **Limiting variability in contribution determination amounts:** Clause 35(1)(a) of the *Electricity Infrastructure Investment Regulation 2021* (EII Regulation) requires the AER, in making a contribution determination, to limit variability in contribution determinations from year to year. This reflects a key policy objective of promoting stability and predictability in the recovery of Roadmap costs. This consideration is particularly relevant where, as the Roadmap matures, higher costs are required to be recovered and there is an increased risk of sharp year to year fluctuations in contribution determination amounts.
- **Aligning the costs and benefits of the Roadmap over time:** A broader policy consideration, informed by policy work undertaken during the early implementation phase of the Roadmap, is whether Roadmap costs are recovered over the period in which consumers are expected to benefit from the relevant investments, including through lower wholesale electricity costs. We observe that, given the long lead times associated with construction of new electricity infrastructure, this timing difference is beyond the scope of our current three-year averaging method to align costs and benefits directly. However, where possible, we have sought to take this aspect of the EII framework into consideration in the development of our methods.

In finalising our review of the Guideline and Model, and considering stakeholder feedback, the AER has sought to strike an appropriate balance between these policy considerations so that the contribution determination framework remains fit for purpose as the Roadmap matures.

2 Consultation

During the consultation period on the draft Guideline and Model, the AER received submissions from:

- AusEnergy Services Limited (in its capacity as the Consumer Trustee);
- Energy Corporation of New South Wales (EnergyCo, in its capacity as the Infrastructure Planner);
- NSW Department of Climate Change, Energy, the Environment and Water (NSW Department);
- Energy Users Association of Australia (EUAA); and
- Scheme Financial Vehicle (confidential).

The non-confidential submissions are available on the AER's website.

We also held three optional forums for scheme entities, NSW distribution network service providers (NSW DNSPs) and emissions-intensive trade-exposed entities. These forums provided stakeholders with an opportunity to ask questions and provide feedback on the draft Guideline and Model.

In developing the final Guideline and Model, we considered all submissions received during the consultation process, as well as feedback provided through the optional forums. Section 3 of this Explanatory Statement outlines the key issues raised by stakeholders, our responses, and the amendments made between the draft and final Guideline and Model. Where we have not adopted stakeholder suggestions, we explain the reasons for our approach.

The amendments to the final Guideline and Model are summarised in Tables 1 and 2 below.

Table 1: Summary of amendments to the final Guideline

Section	Title	Description
Throughout	Minor and administrative amendments	• Updated entity name references (for example, AEMO Services Ltd to AusEnergy Services Limited). • Updated example year references to align with the current contribution determination cycle. • Amended references to the recovery of Roadmap administration costs to include the Scheme Financial Vehicle, consistent with section 55(a1) of the EII Act. • Clarified the appropriate accounting treatment for different cost categories. • Clarified that Chief Executive (or equivalent) certification is still required where a scheme entity reports nil administration costs for the relevant financial year. • Updated terminology and references to align with the EII Act and recent legislative amendments.

		• Updated references to the Infrastructure Planner to reflect that this role may be performed by either the Energy Corporation of NSW or the NSW Department. • Updated the description of Scheme Financial Vehicle. • Various minor amendments to wording to improve clarity.
1.5	The Scheme Financial Vehicle's contribution orders	• Clarified that the final contribution determination amount and the SFV's contribution order amounts are issued exclusive of GST.
1.6, 4.3, 4.5, 9	Clarification of roles under the Risk Management Framework	• Clarified and distinguished the respective roles and responsibilities of the AER in setting the contribution determination amount and the Consumer Trustee and Scheme Financial Vehicle under the Risk Management Framework.
2.1, Table 2	Process for contribution determination	• Removed references to the Word-based basis of preparation template and supporting information. • Updated the AER's information request process to include distribution network service providers. • Amended the process for consultation between the Scheme Financial Vehicle and Consumer Trustee on minimum prudent cash balance proposals, including a detailed timeline. • Added a process step requiring the AER to provide an early estimate of apportioned contribution determination amounts to each NSW DNSP to assist them in developing their pricing proposals under the NER.
4.5	Minimum prudent cash balance	• Clarified the role of the Infrastructure Planner in providing information to support the network infrastructure buffer, including the treatment of project-level cost estimates and the AER's responsibility for determining the appropriate buffer.
7.1, Table 7	Summary of approach to handling non-disclosure claims	• Clarified the AER's approach to the publication of LTESA data.

Minor amendments were made to the model. These amendments were centred around the removal of functions that automatically adjusted the use of monies related to the NSW loan, and removing the portion of the function that calculated interest on over recovery amounts of the contribution determination. A manual adjustment line was included in the financial tab to adjust for use of the NSW loan (if used). In the apportionment tab the function that calculates interest on under / over-recoveries has been amended so that it only calculates interest on under-recoveries. This is to avoid double counting interest on over-recoveries. This is further explained in section 5.3 of our guideline.

Table 2: Summary of amendments to the Model

Sheet	Row	Description
Financial	66	Removal of **Need to use grant money** (**to cover negative liquidity or grant repayments)**
Financial	68	Removal of **Use of grant to cover under-recovery (and subsequent recovery of funds)**
Financial	69	Removal of **Use of additional loan (and subsequent recovery of funds)**
Financial	70	Removal of **Total (Table 4 | Repayable grant and other loans)**
Financial	66	Addition of **Manual adjustment to account for use of grant monies**
Adjustments	14	Amendment of name to **Interest on under-recovery,** and amendment of formula to only calculate interest on under-recoveries

3 AER response to feedback raised in submissions

We have considered all stakeholder feedback and, where appropriate, we have amended the Guideline and Model to improve their clarity and operation. This section summarises the key feedback raised in submissions, the AER's response to that feedback, and how that feedback has been reflected in the final Guideline and Model. Where we have not adopted stakeholder suggestions, we explain the reasons for our approach.

3.1 Components of the minimum prudent cash balance

We consulted on our proposed methodology for calculating the minimum prudent cash balance that we are required to include in a contribution determination under section 56(3)(a) of the EII Act. The purpose of the minimum prudent cash balance is to support the Fund's ability to meet its expected liabilities as they fall due, while maintaining an appropriate buffer against reasonably foreseeable liquidity risks.

Section 4.5 of the Guideline outlines the methodology for calculating the primary funding buffers used to manage liquidity risks for the Fund. These buffers address the risks related to counterparty default, timing mismatch, long-term energy service agreement (**LTESA**) payment variability and network infrastructure costs.

3.1.1 Stakeholder submissions

We received stakeholder feedback on the network infrastructure buffer component of the minimum prudent cash balance. The NSW Department and EnergyCo were both generally supportive of the proposed approach.

EnergyCo supported the AER being provided with credible information to inform its assessment of an appropriate network infrastructure buffer. EnergyCo noted that, as Infrastructure Planner, it can provide project-level information and informed cost estimates to support the AER's assessment, including lower-bound, central and upper-bound estimates and, where appropriate, probabilistic estimates for the target year.

EnergyCo also recommended several amendments to this element in the Guideline that related to clarifying the role of the Infrastructure Planner in providing project-level cost estimates and the AER's assessment of that information. In particular, this included:

- recognising that the availability, reliability and maturity of project information may vary over time and between projects; and
- that the provided estimates should be treated as one input among a range of factors relevant to determining the network infrastructure buffer.

The EUAA recommended that the assumptions used to calculate the buffers are not overly conservative, and that risks are not double-counted where they are correlated.

3.1.2 AER response

We acknowledge EnergyCo's feedback regarding the role of the Infrastructure Planner in informing the network infrastructure buffer. Having considered the submission, we agree that the Guideline should better reflect the practical limitations and uncertainties associated with project-level cost information and provide additional context regarding the provision and use of that information. We have therefore refined section 4.5 relating to the network infrastructure buffer, informed by EnergyCo’s recommendations, to:

- recognise that the availability and reliability of information may differ between projects and delivery arrangements, that estimates may be preliminary at earlier project stages and become more reliable as project information matures, and that estimates are inherently uncertain;
- note that the Infrastructure Planner’s ability to obtain relevant information depends on its contractual rights and lawful access to such information;
- clarify that the provision of cost estimates by the Infrastructure Planner does not constitute approval or endorsement of a network operator's proposed cost adjustment, entitlement or payment; and
- clarify that responsibility for determining the appropriate network infrastructure buffer remains with the AER.

We have not otherwise amended the Guideline in response to this feedback. We will continue to engage collaboratively with both EnergyCo and DCCEEW in their role as Infrastructure Planner to further refine the approach to the network infrastructure buffer.

3.2 Clarification of roles under the Risk Management Framework

In the draft Guideline, we proposed to amend Table 2 to include an additional process step requiring the Scheme Financial Vehicle to engage with the AER and the Consumer Trustee on its minimum prudent cash balance proposal. This amendment recognised the Consumer Trustee’s role under section 51 of the EII Act, which requires the Consumer Trustee to prepare a Risk Management Framework establishing the overarching risk framework and relevant policy settings to manage LTESA related risks. This step was intended to provide the Consumer Trustee with an opportunity to comment on the proposal before it is submitted to the AER.

Additionally, other parts of the Guideline refer to the roles of the Scheme Financial Vehicle, Consumer Trustee and AER in relation to the assessment of funding requirements and the management of financial risks under the Risk Management Framework. These references are intended to reflect the respective statutory functions of each party and the interaction between those functions in the contribution determination process.

3.2.1 Stakeholder submissions

We received a submission from ASL, in its capacity as the Consumer Trustee, that raised concerns that aspects of the draft Guideline may blur the distinction between the AER’s role in determining contribution amounts and the governance arrangements for identifying, assessing and managing financial risks under the Risk Management Framework (RMF). The

Consumer Trustee recommended that the Guideline more clearly distinguish between the AER's contribution-setting role and the respective roles of the Consumer Trustee and Scheme Financial Vehicle under the RMF.

In particular, the Consumer Trustee's submission noted that the Guideline should avoid implications that the AER's consideration of risk mitigants for contribution-setting purposes gives the AER responsibility for determining the underlying risk appetite, liquidity strategy or risk management response. The Consumer Trustee recommended under section 4.5 of the Guideline, clarifying that references to liquidity facilities, risk management contracts and other risk mitigants relate to information that may inform the AER's assessment of funding requirements, rather than rather than the AER determining the risk management measures adopted under the RMF.

The NSW Department provided similar feedback, recommending clarification as to the scope and roles and responsibilities in relation to the minimum prudent cash balance and the Risk Management Framework as drafted in the draft Guidelines.

3.2.2 AER response

Having considered the Consumer Trustee's submission, we agree that the Guideline should more clearly distinguish between the AER's role in determining contribution amounts and the responsibilities of the Consumer Trustee and Scheme Financial Vehicle for identifying, assessing and managing financial risks under the RMF. We have therefore refined sections of the Guideline, including section 4.5, to:

- clearly distinguish the respective roles and responsibilities of the AER, Consumer Trustee and Scheme Financial Vehicle under the contribution determination and RMF framework;
- clarify the interaction between risk management decisions made under the RMF by the Scheme Financial Vehicle and the AER's contribution determination functions; and
- confirm that references to liquidity facilities, risk management contracts and other risk mitigants relate to matters that may inform the AER's assessment of funding requirements, but that these matters are not part of the AER's role in making the contribution determination.

Consequential to the above and as part of our broader review of the Guideline, we have also amended Table 2 to include a timeline for engagement between the Scheme Financial Vehicle, Consumer Trustee and the AER on the minimum prudent cash balance proposal. We consider this amendment supports a more informed and coordinated approach to developing the proposal by providing greater clarity regarding the engagement process and sufficient opportunity for relevant feedback to be considered before the final proposal is submitted by the SFV to the AER. The Guideline does not affect any other engagement arrangements that may occur between the relevant parties.

3.3 Early estimate of contribution determination amount

The timing of the contribution determination process interacts with the NSW DNSPs annual distribution pricing processes. In particular, the NSW DNSPs are required to include draft jurisdictional scheme data as part of their draft distribution pricing process by mid-February each year. This information also informs the draft Default Market Offer process.

At the time draft distribution pricing information is provided, we have not made our final contribution determination for the relevant financial year. This means the NSW DNSPs need estimate contribution determination amounts in their draft pricing submissions.

3.3.1 Stakeholder submissions

During the optional forum with the NSW DNSPs, the DNSPs raised concerns about the practical implications of the timing of the contribution determination process for the distribution pricing process. This feedback was consistent across each of the NSW DNSPs.

The NSW DNSPs explained that it is difficult to accurately estimate the contribution determination amount for inclusion in their draft pricing submissions that they submit in mid-February. This is because information on the forthcoming contribution determination is not publicly available at that time, and past contribution determination amounts may not be a reliable indicator of future amounts. As a result, the NSW DNSPs are often required to update this amount once the AER makes the final contribution determination in late February. They considered that these changes create practical difficulties for customers, particularly where there are material differences between NSW DNSP estimated and AER final contribution determination amounts.

3.3.2 AER response

We acknowledge the concerns raised by the NSW DNSPs and recognise the practical interaction between the contribution determination process and the distribution pricing process. We further recognise that providing an early estimate of the contribution determination amount may assist the NSW DNSPs in preparing their draft pricing submissions and reduce the likelihood of material differences between draft and final pricing outcomes.

The estimate will not replace the final contribution determination and will not bind the AER in making that determination. We note that the AER will continue to make the final contribution determination in accordance with the EII framework and the methodology set out in our Guideline. However, we consider this additional process step is a practical improvement that responds to stakeholder feedback and supports the efficient operation of the contribution determination framework.

3.4 Matters raised by the EUAA

Several additional matters were raised by the Energy Users Association of Australia relating to various aspects of the Guideline and Model, as well as broader topics associated with the NSW Roadmap. Table 3 below summarises our response to each of the matters raised.

Several recommendations raise policy matters which are more appropriately considered by the NSW Government, and we will bring the EUAAs submission to the attention of those relevant to these matters.

Table 3: AER response to EUAA feedback raised during consultation

Feedback	AER Response
Improve transparency and forward visibility of Roadmap costs. The AER should publish clear, multi-year forecasts of: • **expected LTESA liabilities (generation and non-generation components);** • **REZ and priority network infrastructure project transmission cost trajectories;** • **minimum prudent cash balance components and underlying assumptions; and** • **contribution determination amounts over the medium term.** **This transparency is essential for commercial and industrial users making long-term investment and operational decisions.**	While the AER acknowledges the importance of transparency and the public provision of information, we are bound in this instance by section 75 of the EII Act which limits disclosure. Our approach to non-disclosure is set out under section 7.1 of the Guideline. Although we maintain confidentiality over all data that could compromise ongoing competitive tenders for LTESAs and network infrastructure projects, we aim to publish all other data to promote transparency. In addition, we intend to publish all cost data, including data that relates to LTESAs and network infrastructure projects, once it becomes historical and no longer relevant to ongoing competitive processes. This means we will generally publish cost data once it relates to the actuals year (the t-2 year) or earlier. However, we may need to maintain confidentiality over LTESA data for longer, in order to ensure this data does not compromise ongoing tenders, but will continue to assess this issue going forward in collaboration with the NSW Scheme Financial Vehicle, with a view to making as much data transparent as possible. The NSW Consumer Trustee publishes a biennial Infrastructure Investment Objectives report as part of its statutory functions under the EII Act. The 2025 iteration included a forecast of the annual costs for the supply of energy services to NSW electricity customers, in Figure 31. This includes estimates of scheme costs, which can be considered as an indicator of future contribution determination amounts.
Recalibrate the minimum prudent cash balance to avoid over-collection. The AER should: • **stress-test the minimum prudent cash balance methodology to ensure buffers are proportionate to actual liquidity risks;** • **avoid stacking conservative assumptions across multiple buffer components;** • **adopt pragmatic (not conservative) cumulative probability-of-default settings; and** • **ensure correlated risks are not double-counted.**	We acknowledge the EUAA's concerns. The AER works through each component of the minimum prudent cash balance very carefully to ensure there is no double counting of correlated risks. Each sub-component of the minimum prudent cash balance is independent of the other components. Our method does not involve stacking conservative assumptions across multiple buffer components. The AER must set the minimum prudent cash balance at a level that will ensure the NSW Scheme Financial Vehicle can meet its liabilities when they fall due, in line with section 56(1) of the EII Act. As this relates to a future point in time, this involves the AER applying a level of judgement in setting the minimum prudent cash balance at an appropriate level. Section 35(1)(a) also requires the AER to consider the need to limit variability in contribution determinations from year to year.

The minimum prudent cash balance must be calibrated to the minimum prudent level necessary to meet statutory obligations — no higher.	The AER endeavours to set the minimum prudent cash balance at a level that is no higher than necessary to protect the solvency of the NSW Scheme Financial Vehicle and to protect the integrity of its credit rating.
Reduce the timing mismatch buffer by reforming DNSP remittance schedules. The NSW Government should consider: • **requiring DNSPs to remit Roadmap funds quarterly or semi-annually rather than annually;** • **eliminating the ~16-month structural timing gap between consumer payments and SFV receipts; and** • **preventing DNSPs from retaining and earning interest on Roadmap funds for extended periods.** **This reform would materially reduce the timing mismatch buffer and lower consumer costs.**	The timing mismatch buffer manages the structural differences in the receipt of contribution determination amounts, which are received quarterly, while outflows are aligned with actual expenses. As required by EII Regulation 38, NSW DNSPs are required to make equal payments quarterly on specific dates, and do not hold Roadmap funds for extended periods. This process is set out under existing section 1.5 of the Guideline. We work closely with the Scheme Financial Vehicle to keep the size of this buffer as low as practically possible. However, a prudent minimum cash buffer is still required to bridge the structural timing gap between inflows and outflows, even when payment amounts are predictable and the associated risk is low.
Explore alternative liquidity-risk arrangements, including NSW Treasury support. Given that several liquidity risks arise from government-determined payment structures rather than market behaviour, the NSW Government should assess: • **whether NSW Treasury could carry some or all liquidity-risk exposure,** • **whether alternative models could reduce the need for consumer-funded buffers** • **whether current arrangements align with efficient risk-allocation principles.** **Consumers should not be the residual risk-bearer for liquidity risks introduced by policy design.**	We consider that the EUAA is essentially proposing that the minimum prudent cash balance mechanism be replaced with an alternative mechanism. That is, to introduce an alternative regime to the one that exists under section 56(3)(a) of the EII Act (for example, through NSW Treasury support). We consider that this issue is beyond the scope of our current review. The EII Act provides the potential for the Scheme Financial Vehicle to enter into liquidity arrangements as 'risk management contracts' under section 52 of the EII Act. The AER has no role in determining the overall risk or liquidity management behaviour of the Scheme Financial Vehicle. The governance arrangements that apply to these decisions include the Consumer Trustee's statutory Risk Management Framework, as required under section 51 of the EII Act, as well as the obligations of the Scheme Financial Vehicle's independent board.

Ensure cost-causation-aligned allocation of buffer components between generation and non-generation categories. The AER should: • **allocate shared buffer components (counterparty default, timing mismatch) proportionately across generation and non-generation categories;** • **avoid allocating all shared risks to the "other" category; and** • **ensure EITE exemptions are not unintentionally eroded by misallocation.** **This is essential for fairness across consumer classes and for preserving the intent of the EITE mechanism.**	We can confirm that the AER's approach to setting the LTESA buffer component of the minimum prudent cash balance aligns with a cost causation approach, in that the minimum prudent cash balance includes only a buffer to manage volatility associated with generation LTESAs. Due to the payment mechanism for these generation LTESAs being linked to future wholesale spot price outcomes, associated costs are particularly vulnerable to volatility. This makes the generation LTESA buffer component of the minimum prudent cash balance straightforward to delineate for the purposes of calculating the percentage under clause 36 of the EII Regulation. This approach aligns with the policy intent of the exemption regime, set out by the NSW Office of Energy and Climate Change policy paper in 2022.[1] While in theory, the counterparty default and timing mismatch buffers could include elements that relate to generation LTESAs, we consider it would not be practically feasible to develop a methodology to delineate these generation LTESA sub-elements.
Review the apportionment framework to better align costs with beneficiaries. The NSW Government should review clause 35 of the EII Regulation to: • **rebalance volumetric and peak-demand allocation methods** • **ensure cost recovery reflects beneficiaries rather than load characteristics** • **reduce disproportionate impacts on high-peak industrial loads.** **The current framework does not reflect the Roadmap's beneficiary profile.**	Clause 35(1)(b) of the EII Regulation provides a broad framework for apportionment among NSW DNSPs. At present, the AER apportions generation LTESA costs based on volumetric data and 'all other costs' based on peak demand data. As the bulk of the costs in the 'all other costs' category relate to network projects, we consider peak demand a reasonable and suitable metric for the apportionment of these costs. Our approach to apportionment was informed by a policy paper and consultation process the NSW Department ran in 2022.[2] Our approach to apportionment has been stable since that time. However, should the NSW Government seek to review and amend clause 35 of the EII Regulation, we would amend our approach accordingly.
Review and expand the EITE exemption framework. The NSW Government should:	We acknowledge the EUAA's concerns and the material cost impacts that contribution determinations have on EUAA members. The exemptions framework is embedded within the EII Regulation, in particular clause 37. The AER has no role in determining the scope of the

[1] Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020) Exemption Administration Process, May 2022

[2] Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020): Policy paper

• **assess whether exempting only generation-related LTESA costs remains fit for purpose;** • **consider whether non-generation Roadmap costs should also be subject to exemption pathways;** • **address inequities between transmission-connected and distribution-connected EITE facilities; and** • **improve transparency around exemption allocation and cost redistribution.** **The exemption framework must evolve as the Roadmap's cost composition shifts toward non-generation categories.**	exemptions framework. As this matter is outside the scope of the AER's role to undertake annual contribution determinations, we have provided this recommendation to the NSW Department.
Improve alignment between Roadmap cost recovery and Roadmap benefits. The NSW Government and AER should: • **recognise the structural timing gap between early cost recovery and long-dated wholesale price benefits; and** • **consider alternative models that better align contributions with realised benefits, ensure C&I users are not required to fund Roadmap costs they may never benefit from if operating costs become unsustainable.** **Cost–benefit alignment is a core policy principle and must be preserved.**	We consider the policy aim of aligning costs and benefits broadly aligns with the objective in section 3 of the EII Act to improve the affordability of electricity supply. There does not appear to be an explicit reference to the concept in the EII Act, however. The legal framework for making contribution determinations under section 56 of the EII Act and section 35 of the EII Regulation does not embed the concept. Rather, section 35(1)(a) of the EII Regulation requires the AER to consider the need to reduce "variability" in contribution determinations from year to year. While we are broadly supportive of the EUAA's intent here, it is challenging for contribution determinations to meaningfully support this aim. Other mechanisms may be more fit-for-purpose. For example, a financial liquidity mechanism to shift costs back in time could potentially support the aim of aligning costs with benefits. However, we consider that the merits of such an approach would need to undergo a thorough cost/benefit analysis, because the costs would likely be substantial. This constitutes a policy question that is beyond the scope of our contribution determination guideline review. We have provided the EUAA's submission to the NSW Department.
Strengthen safeguards to prevent double recovery of Roadmap-funded transmission assets. The AER should:	Part 9 Division 3 of the EII Regulation sets out a process for incumbent network operators to transfer EII Act revenue determinations into existing NER revenue determinations. Should the NSW Energy Minister seek to make such a declaration in the future, the AER will carry out its functions consistent with the EII Act and Regulation and the NER.

• **explicitly state that Roadmap-funded assets must not be added to a transmission network service provider's regulated asset base;** • **ensure any asset funded through the SFV is paid for once only; and** • **apply strict scrutiny in future revenue determinations to prevent double dipping.** **This is a critical consumer protection measure and entirely within the AER's remit.**	To this end we note that EII Regulation 54(b) requires that the Scheme Financial Vehicle cease paying a network operator where the relevant network infrastructure has been transferred to a NER determination. To ensure any asset is only paid for once, we would ensure only the written down value of the asset is transferred to the NER framework.
Enhance transparency of buffer methodologies, assumptions, and allocations. The AER should: • **publish clear explanations of buffer sizing methodologies,** • **disclose assumptions underpinning volatility modelling and credit-risk settings,** • **provide transparent allocation methodologies for generation vs non-generation cost splits,** • **ensure stakeholders can meaningfully assess the drivers of contribution determination amounts.** **Transparency is essential for confidence in the Roadmap's cost recovery framework.**	We acknowledge the importance of transparency and have sought to provide greater clarity on the methodologies used to calculate the contribution determination in this update to the Guideline. However, the AER's ability to disclose certain information is constrained by section 75 of the EII Act. As such, we do not propose further amendments to the Guideline in response to this recommendation.

4 Other matters consulted on

As part of our consultation on the draft Guideline and Model, we also sought stakeholder views on a number of proposed approaches and methodologies that did not receive stakeholder feedback. We considered whether any further changes were warranted in finalising the Guideline and Model. This section outlines those matters and explains how they have been treated in the final Guideline and Model.

4.1 Percentage under clause 36

We consulted on our proposed methodology for calculating the percentage for the purpose of clause 36 of the EII Regulation, which requires the AER to provide each NSW DNSP with a notice setting out the percentage of the contribution determination that relates to generation LTESAs. This percentage is important because it informs the operation of the exemption framework under clause 37 of the EII Regulation for emissions-intensive trade-exposed entities that may be entitled to a partial exemption from generation LTESA-related costs.

Section 5.7 of the Guideline outlines the methodology the AER will apply to calculate the percentage for the purpose of clause 36.

During the consultation period, we held an optional forum with emissions-intensive trade-exposed entities to explain the proposed methodology and respond to stakeholder questions. While stakeholders raised various questions regarding the operation of the methodology, no issues were identified that resulted in the need to amend the final Guideline or Model.

We did not receive written stakeholder feedback on the proposed methodology in submissions and therefore we have adopted the methodology outlined in the draft guideline in this final Guideline.

4.2 Apportionment

Clause 35(1)(b) of the EII Regulation requires the AER, in making a contribution determination, to have regard to the equitable allocation of the contribution determination between NSW DNSPs, based on each provider's volumetric energy delivered[3] and peak demand[4] in the previous financial year. In the draft Guideline, we did not propose to amend the core apportionment method used to allocate Roadmap costs between distribution network service providers.

However, we proposed removing the adjustment to apportionment data for embedded network customers, as the adjustment added complexity for limited practical benefit. We did not receive written stakeholder feedback on this proposed amendment and have therefore adopted it in our final Guideline.

[3] Volumetric energy delivery means the measured or estimated amount of electricity delivered to electricity customers from a DNSP's network, measured in gigawatt hours at the appropriate customer charging location (as defined by section 35(2) of the EII Regulation).

[4] Peak demand means the aggregate amount of actual, non-coincident and raw electricity demand, measured in megavolt amps, at the zone substation level and at the trading interval when the aggregate amount is the highest (as defined by section 35(2) of the EII Regulation).

4.3 Three-year average method

The draft amendments to the Guideline did not propose any changes to the existing three-year average method used to calculate the contribution determination amount. However, we invited stakeholder feedback on whether the current approach remained fit for purpose.

We did not receive written stakeholder feedback on the three-year average method and have therefore retained the existing approach in our final Guideline.

5 Data centre fees

On 17 August 2026, the NSW Department released its consultation paper on *Reforming electricity network connection and cost recovery arrangements for data centres in NSW*. Consultation closed on 14 September 2026.

The consultation paper indicates the NSW Department's intention to introduce legislation that requires data centres to make payments into the Electricity Infrastructure Fund under the EII framework. If introduced, these payments would need to be accounted for in future contribution determinations.

As the content and timing of any legislative reforms remain subject to further development, the final Guideline and Model do not make specific provision for these payments. At this time, if data centre contributions are received, we intend to treat them as "other revenue" in the Model to ensure they are accounted for in making the relevant contribution determination and the amount to be funded by NSW electricity consumers is reduced.

The AER will continue to engage with the NSW Department on the appropriate treatment of any future data centre payments as part of the next contribution determination process.