Department of Climate Change, Energy, the Environment and Water

NSW GOVERNMENT

Mr Scott Haig
Acting General Manager, Renewable Energy Zones Branch, Networks Regulation
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

By email: rez@aer.gov.au

Dear Mr Haig

Please find below the Department of Climate Change, Energy, the Environment and Water's (NSW DCCEEW) submission to the 2026 Review of the NSW Contribution Determination Guidelines (Guidelines) for the NSW Electricity Infrastructure Roadmap (Roadmap).

We appreciate the opportunity to provide feedback on the Guidelines and support the AER's work to refine the Guidelines as the Roadmap evolves to ensure they remain fit-for purpose.

To support the AER's review, we would like to clarify the scope and roles and responsibilities in relation to the minimum prudent cash balance (MPCB) and the Roadmap's Risk Management Framework (RMF) as drafted in the Guidelines.

The current wording in the Guidelines suggests an active role for the AER in deciding how to apply Risk Management Contracts (RMCs) to "manage risks associated with the unlikely high-impact events through liquidity facilities… to mitigate the need to recover cash from NSW electricity consumers" when calculating the MPCB.[1]

While the AER, as regulator for the Roadmap, approves the RMF, we understand that decision making under the RMF and its subsidiary policies (including entering into RMCs) is the responsibility of the Consumer Trustee (CT) and the Scheme Financial Vehicle (SFV)[2] and that this is an important delineation underpinning the multi-layered governance process to manage Roadmap financial risks. I believe the Guidelines should be amended to reflect this.

However, we consider the RMF and MCPB should be complementary, and support the AER's inclusion of CT to provide feedback on the MPCB in the Guidelines to help to align the purpose and scope of the RMF and the MPCB to ensure the lowest cost risk management pathway for NSW electricity consumers.

We understand that the current RMF was approved in 2022 and that the Roadmap and our understanding of the RMF has evolved since this time. The Department is considering whether the RMF should be reviewed to clarify both its scope and the roles and responsibilities of key entities. I note that a review was recommended by the IPART in its recent Audit Report of financial entities.[3]

We also support changes to the network infrastructure buffer in the Guidelines to increase transparency and accuracy of the buffer.

[1] Australian Energy Regulator, Draft NSW Electricity Infrastructure Fund Contribution Determination Guideline (Draft Guideline, 22 July 2026), p. 23.
[2] AEMO Services Ltd, Risk Management Framework (July 2022) approved by the Australian Energy Regulator, p. 3.
[3] Independent Pricing and Regulatory Tribunal (NSW) (IPART), Performance Audit Report of Financial Entities: Electricity Roadmap (September 2025), Recommendation 9.

We would welcome the opportunity to discuss these matters further and provide additional context and rationale which can support AER's consideration.

If you have any further questions about this issue, please contact Mr Jason Scatolin, A/Director, Energy Transition Policy, Energy Climate Change Sustainability Division, on [redacted]

Sincerely

[redacted]

Michelle Wood
Executive Director, Climate Change and Strategy
Department of Climate Change, Energy, Environment and Water

cc: [redacted]