Proposed Framework and Approach Variations

Revenue and Regulatory Proposal 2029-2034



TasNetworks | Powering a Bright Future

Version	Date	Autor initials
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TasNetworks acknowledges the palawa (Tasmanian Aboriginal community) as the original owners and custodians of lutruwita (Tasmania). TasNetworks, acknowledges the palawa have maintained their spiritual and cultural connection to the land and water. We pay respect to Elders past and present and all Aboriginal and Torres Strait Islander peoples.



Contents

1.	**Introduction**	**4**
	The 2029-2034 Revenue Reset Process and Timelines	5
	Reasons for Change	5
	Our Request for a Replacement F&A	7
2.	**Customer and Stakeholder Engagement**	**8**
	Engagement Relevant to the F&A	8
	How Feedback has been Considered	9
3.	**Proposed Service Classifications**	**10**
	How Service Classification Works	10
	Registration of Private Underground Services on Public Land	11
	Distribution Asset Rental for EV Charging Infrastructure	12
	Evolving energy	14
4.	**Other Elements of the F&A**	**15**
	Control Mechanisms	15
	Incentive schemes	16
	Regulatory Depreciation	16
	Expenditure Forecast Assessment Guideline	16
5.	**Next Steps**	**17**

1. Introduction

Every five years, the Australian Energy Regulator (**AER**) conducts a regulatory process to determine the revenues that an electricity transmission or distribution network service provider (**NSP**) can recover from its customers, as well as the prices they may charge for a range of related services. The process requires a network business to develop and submit a detailed proposal forecasting its costs, investments and service outcomes, which the AER assesses before determining the revenues and prices that the network is permitted to recover from customers.

TasNetworks has begun development of its revenue and regulatory proposals for the regulatory control period covering 1 July 2029 to 30 June 2034 (**the 2029-2034 period**). However, the first step in the revenue reset process used by the AER is to publish, for each network business, a Framework and Approach (**F&A**) which, amongst other things, stipulates the services that the AER will regulate and how. This includes prescribing how the AER will set prices and the incentive schemes that will apply to the network businesses the AER regulates to encourage efficiency and improvements in performance.

It also sets out how the AER proposes to address key elements of a determination, including:

- how distribution services (including new services) will be classified, whether as direct control services, negotiated distribution services or unclassified services;
- the forms of control that will apply to direct control services, and the formulas that give effect to those mechanisms;
- the incentive schemes that will apply during the period;
- how the AER will apply its Expenditure Forecast Assessment (**EFA**) Guideline; and
- whether depreciation for establishing the opening regulatory asset base (**RAB**) will be based on actual or forecast capital expenditure.

Under the National Electricity Rules (**NER**) there is no requirement that the AER prepare a new F&A for every regulatory determination. This means an existing F&A can continue to apply to a subsequent regulatory determination unless it is replaced or amended. However, clauses 6.8.1(c) and 6A.10.1A(c) of the NER allow a distribution network service provider (**DNSP**) and a transmission network service provider (**TNSP**), respectively, to request that the AER amend or replace the F&A that applied to its most recent determination.

In accordance with these requirements, TasNetworks is seeking to have its current F&A replaced for the 2029-2034 period. This document sets out the changes we propose, explains why we consider them to be in the long-term interests of our customers, and shows how the proposed replacement F&A would differ from the F&A that applies for the 2024-2029 period.

The 2029-2034 Revenue Reset Process and Timelines

The F&A process runs ahead of, and frames, the broader revenue determination process. Table 1 sets out the key milestones that apply for the distribution regulatory proposal.

Table 1: Indicative timeline for the 2029-2034 F&A and distribution regulatory determination

Milestone	Indicative date	Basis
Stakeholder consultation on new and emerging services	February 2026 onwards	Voluntary pre-lodgement engagement
Lodge request to replace the F&A with the AER	By 31 October 2026	NER cl. 6.8.1(c)(1): no later than 32 months before end of current period
AER publishes a notice inviting submissions on whether to amend or replace the F&A	By 30 November 2026	NER cl. 6.8.1(c)(1): no later than 31 months before end of current period
AER publishes notice on need for F&A to be amended or replaced	By 31 December 2026	NER cl. 6.8.1(c)(1): no later than 30 months before end of current period
AER consults on preliminary positions on the F&A	Early 2027	AER process with date to be confirmed
AER publishes final F&A	By 31 July 2027	NER cl. 6.8.1(e): at least 23 months before the end of the current period
Submit regulatory proposal and tariff structure statement	By 31 January 2028	NER cl. 6.8.2(b)(1): at least 17 months before the end of the current period
AER draft determination	By September 2028	NER cl. 6.10.2. as soon as practicable after the submission for the submission of the regulatory proposal and tariff structure statement
Revised regulatory proposal	By 30 November 2028*	NER cl. 6.10.3. *Indicative only (45 business days after the draft)
AER final determination	By April 2029	NER cl. 6.11.2
2029-2034 regulatory control period commences	1 July 2029	

The lodgement of this request follows engagement with customers and stakeholders and is the start of our formal consultation with the AER. By 31 July 2027 we expect to have a final F&A that will form the basis of our 2029-2034 revenue and regulatory proposals.

Reasons for Change

The energy transition continues to reshape how customers use our network and what they expect from us. Since the AER made the F&A for the 2024-2029 period, customers have installed more rooftop solar, batteries and electric vehicles (**EVs**), governments have committed funding to community-scale storage, and third parties increasingly seek to use distribution assets for purposes beyond the conveyance of electricity. Several of the services customers now expect us to facilitate were not contemplated when the current service classifications were set and are currently only able to be offered through time-limited ring-fencing waivers.

The regulatory framework is also shifting with key regulatory developments since the current F&A was made including:

- expansion of Australia's National Electricity Objective from promoting the long-term interests of consumers in relation to price, quality, safety, reliability and security of electricity supply to also include the achievement of emissions reduction targets;
- changes to the NER accelerating the rollout of smart meters to virtually every customer in the National Electricity Market by 2030, to facilitate a data-rich electricity system;
- the AER's final decision on the 2026-2031 distribution determinations for the Victorian distributors (April 2026), which classified the rental of distribution assets for the purposes of third parties mounting public EV charging infrastructure as a negotiated distribution service;
- rule change requests lodged with the Australian Energy Market Commission (**AEMC**) in April 2026 by Energy Networks Australia and the Commonwealth Department of Climate Change, Energy, the Environment and Water to enable distributor-led EV charging infrastructure, the latter now under AEMC consideration and the former being considered within the AEMC's Electricity Network Regulation Review;
- the AER's current review of the Electricity Distribution Ring-fencing Guideline and the Shared Asset Guideline, which bears directly on how revenue from leasing network assets to third parties is shared with customers;
- the AER's class waiver under the Ring-fencing Guideline for eligible Commonwealth-funded community batteries[1];
- the ring-fencing waiver granted to TasNetworks permitting the registration of private underground services on public land with Before You Dig Australia (**BYDA**), which expires on 30 June 2029[2]; and
- the Commonwealth Consumer Energy Resources (**CER**) Taskforce's December 2025 advice to Energy Ministers recommending that distributors be formalised as Distribution System Operators (**DSOs**), which is likely to give rise to new service classification questions during the 2029-2034 period.

Together, these developments mean that the F&A applying to TasNetworks in the 2024-2029 period does not capture the full range of services that customers and third parties are asking us to provide.

In addition to this, the F&A currently applying to TasNetworks also prescribes the recovery of costs for legacy metering services from customers that, if allowed to continue in the 2024-2029 period, would lead to inefficient price escalation, bill shock and inequity for a small and diminishing cohort of customers. A replacement F&A is, therefore, needed so that the regulated services we offer in 2029-2034 are appropriate for a rapidly changing energy system.

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1 Australian Energy Regulator, *Decision – Distribution ring-fencing class waiver for DNSP-led projects funded under the Australian Government's Community Batteries for Household Solar Program*, February 2023.

2 Australian Energy Regulator, *Notice of Decision -TasNetworks' Ring-fencing Waiver Application – Before You Dig Australia*, February 2026.

Our Request for a Replacement F&A

To account for these changes, TasNetworks requests that the AER make a new F&A for TasNetworks' 2029-2034 period. Our proposed amendments are confined to the addition of three new services that have been tested with customers and stakeholders, and a single change in service classification for an existing service. Otherwise, TasNetworks considers that the existing forms of control, incentive schemes, depreciation approach and EFA Guideline treatment remain appropriate and should be retained for the 2029-2034 regulatory control period.

Table 2 summarises the key aspects of this request, with further detail provided in Sections 3 and 4.

Table 2: Key areas of focus in our request to replace the F&A

Area of focus	Current treatment (2024-2029)	Proposed treatment (2029-2034)	Why we are proposing the change
Registration of private underground services on public land with BYDA	Unclassified; currently provided under a ring-fencing waiver expiring 30 June 2029	Alternative Control Service (fee-based)	Allows TasNetworks to continue registering private underground services with BYDA after the current waiver expires, and to recover the cost from the party who requests and benefits from the registration.
Distribution asset rental for electric vehicle charging infrastructure (EVCI)	Unclassified	Negotiated distribution service	Gives third parties an AER-approved negotiating framework, defined criteria and access to dispute resolution when seeking access on commercial terms to poles and other distribution network assets, for the purposes of mounting public EVCI, consistent with the AER's April 2026 Victorian final decision.
Leasing of spare capacity in distributed battery energy storage systems (BESS)	Unclassified; currently provided under a ring-fencing waiver but limited to community batteries funded under the Australian Government's Community Batteries for Household Solar Programme	Unclassified distribution service	Enables excess capacity in a BESS installed and operated by TasNetworks to be made available to third parties, such as retailers, aggregators or virtual power plant operators, for contestable activities.
Type 5 and 6 maintenance, reading and data services (legacy meters) **Meter recovery and disposal – type 5 and 6 (legacy meters)**	Alternative Control Service (price-capped)	Standard control service	Enable the efficient recovery of residual legacy metering costs across the broader customer base, while maintaining the provision of legacy metering services until they are retired.

2. Customer and Stakeholder Engagement

TasNetworks recognises the importance of engaging early with customers and stakeholders to understand the outcomes they value and the issues they believe should be considered in the revenue reset. Service classification decisions determine who pays for a service and how, so it is important that customers and their representatives have an opportunity to shape them before we lodge our request with the AER.

Early engagement in support of TasNetworks' 2029-2034 revenue reset commenced in late 2025, with the substantive engagement programme commencing in early 2026. To date it has comprised 35 engagement activities involving more than 2,700 participants and over 400 hours of engagement through surveys, forums, workshops, advisory group discussions, targeted stakeholder meetings and direct customer engagement. Participants have included residential customers, consumer representatives, local governments, small business customers, agriculture and irrigation customers, large distribution and major industrial customers, and industry participants. The programme, the customer priorities that have emerged from it and the feedback received are described in our F&A engagement report, provided as Attachment 2 – Framework and Approach Engagement Summary Report.

Engagement Relevant to the F&A

Three engagement activities dealt directly with the service classification matters in this request.

- Stakeholder Advisory Group

  At its February 2026 meeting we presented to our Stakeholder Advisory Group (**SAG**) on the purpose of the F&A, how it shapes our regulatory proposal, and the service classification changes under consideration, including changes seen in recent peer determinations. The SAG set out its expectations around the application of the beneficiary-pays principle, supporting the continued use of price caps in the 2029-2034 regulatory control period for distribution related services that directly benefit individual customers, and provided feedback on the new services being considered for the 2029-2034 regulatory control period.

- Local Government Forum

  Councils highlighted the importance of the continued provision of public lighting by TasNetworks in the 2029-2034 regulatory control period but with the scope to introduce new lighting technologies. They also provided feedback on the connection process and its interaction with council planning and expressed support for strategies that enable public EV charging infrastructure to be rolled out quickly and efficiently.

- Authorised Service Provider Forum and survey

  Responding to industry feedback on connection and network access arrangements, we explored with industry participants options for an Authorised Service Provider (**ASP**) scheme to enable accredited providers, rather than TasNetworks, to design, construct and/or connect new connections to the electricity distribution network. Participants suggested that, subject to appropriate accreditation, oversight and safety requirements, the provision of connection services on a contestable basis could add flexibility, coordination and customer choice to the basic connection process, and favoured a staged implementation starting with basic connections to existing network infrastructure.

How Feedback has been Considered

Table 3 summarises the feedback received on each service considered and the next steps we have taken. The response to feedback on each proposed service is set out in more detail in Section 3.

Table 3 Summary of stakeholder feedback on services in 2029-2034 and next steps

Service	Stakeholder feedback	TasNetworks' response
Registration of private underground services on public land with BYDA	SAG supported continued application of the beneficiary-pays principle and the continued use of price caps in 2029-2034 to recover the cost of registering private underground services located on public land from the customers that directly benefit from the service.	Propose in F&A as an Alternative control service.
Distribution asset rental for EVCI	Councils supported strategies that might enable public EVCI to be rolled out quickly and efficiently. SAG provided feedback on EV charging arrangements.	Propose in F&A as negotiated distribution service.
Leasing of spare capacity in distributed BESS	Early feedback was minimal.	Propose in F&A as unclassified distribution service. The position will be tested through ongoing engagement before the regulatory proposal.
ASP scheme for basic connections	Industry support for a staged scheme starting with basic connections, with appropriate accreditation and oversight.	The requested service can already be provided under the existing service classification.
Smart public lighting	Local government was supportive of smart public lighting being made available by TasNetworks.	The requested service can already be provided under the existing service classification.

Source: Refer Attachment 2 for Engagement Report.

This engagement conducted thus far is the first stage in a broader programme supporting our revenue and regulatory proposals. We will continue to engage through advisory groups, targeted stakeholder engagement, customer forums and public activities.

3. Proposed Service Classifications

How Service Classification Works

Service classification defines the type of economic regulation that the AER will apply to the services we provide in the 2029-2034 regulatory control period and determines how the costs of TasNetworks' regulated services are to be recovered from customers. Under clause 6.2 of the NER, the AER may classify our distribution services as either direct control services or negotiated distribution services. If the AER decides against classifying a distribution service, then the service is an unclassified (or unregulated) service, and the AER's Electricity Distribution Ring-fencing Guideline governs the arrangements under which TasNetworks may provide them.

Direct control services are further divided into two subclasses that determine the form of regulation applied by the AER to control the prices charged by TasNetworks:

- **Standard control services (SCS):** The term 'standard control' refers to the default approach taken by the AER to the regulation of network charges, with the form of control currently applied to TasNetworks' SCS being a cap on the revenue that TasNetworks is permitted to recover from its customers each year, determined using a building-block approach. SCS are typically the core or 'common' network services delivered using the distribution network and relied upon by all customers, where there is no potential for competition and the costs of service are not directly attributable to individual customers. The costs of providing SCS are recovered through the network tariffs applied to every retail customer's connection.
- **Alternative control services (ACS):** direct control services subject to a control mechanism other than the AER's default approach, typically a price cap. ACS are typically services provided to individual customers or a small and identifiable group of users where the costs can be attributed directly to those customers, such as connection-related or customer-specific services. The Rules expressly identify the direct attribution of costs to users as a factor supporting a classification of a service as an ACS. ACS costs are recovered directly from the customer or third party that requests or benefits from the service.

While most regulated network services fall within the direct control service categories discussed above, under the NER TasNetworks may also provide negotiated distribution services. Negotiated services are customer-specific services, the prices and terms of which are determined through negotiation between TasNetworks and the customer, rather than being set in advance by the AER.

Under principles set out in the NER, the price for a negotiated distribution service is required to be based on the efficient costs incurred in providing that service, and the price should be the same for all customers or users of the same service, unless there is a material difference in the costs of providing the service to different customers. Negotiated distribution services are subject to a negotiating framework which is approved by the AER and customers have access to a dispute resolution process if negotiations fail. This classification suits services where there is some potential for competition or where terms are best settled between the parties, but where customers benefit from regulatory oversight of the negotiation.

TasNetworks offers no negotiated distribution services in its current regulatory control period but is proposing such a service for the 2029-2034 regulatory control period, Distribution asset rental for EVCI.

Registration of Private Underground Services on Public Land

The service

Before You Dig Australia (**BYDA**) is a national service that provides individuals and entities undertaking excavation with information about underground infrastructure before they dig. Asset owners register the location of their underground assets with BYDA so that anyone planning excavation can obtain plans of underground infrastructure in the vicinity of the excavation and avoid damaging those assets, injuring workers or interrupting the supply of utilities like natural gas, water and sewerage, telecommunications and electricity. TasNetworks registers its own distribution assets with BYDA as part of its common distribution service.

Private underground services, such as consumer mains running beneath footpaths and nature strips between our network and a customer's premises, are not TasNetworks' assets. However, they sit on public land, are often indistinguishable from network assets, and the individual customers who own them are typically unable to register assets with BYDA. Since 2 February 2026, TasNetworks has been entering information about privately owned underground electricity cables located on public land into the BYDA database under a ring-fencing waiver granted by the AER. That waiver expires on 30 June 2029, at the end of the current regulatory control period.

The registration of privately owned underground electricity services delivers a clear safety and reliability benefit, but it is not a distribution service under the F&A currently applying to TasNetworks and in the absence of the current waiver, the AER's ring-fencing guideline for electricity distribution would prevent us from providing it. The waiver has also meant the costs of registration have been borne by the customer seeking the registration of their underground connection, rather than the wider customer base.

Our proposal

We propose that registration of private underground services on public land with BYDA be classified as an ACS from 1 July 2029, to be provided by TasNetworks as a fee-based ancillary network service. This classification would:

- allow us to continue providing a service that supports public safety and network reliability once the waiver expires, without the need for successive waivers;
- recover the costs of registration from the customer or third party who requests it and directly benefits from it, consistent with the NER classification factor that costs directly attributable to a person receiving a service should be recovered from that person; and
- provide regulatory oversight of the fee through the AER's price cap on ACS, with the fee to be set in the distribution determination.

We do not consider an SCS classification appropriate, because the benefit of registering a particular private service accrues largely to the owner of that service and to any parties excavating near it, rather than to customers generally. We understand this activity is currently unique to Tasmania and there is no direct precedent in other jurisdictions within the National Electricity Market (**NEM**). The AER has, however, classified comparable customer-initiated safety and information services, such as customer requested site visits relating to the location of underground cables, as ACS in other jurisdictions.

Stakeholder feedback

We discussed BYDA registration of private underground services with our SAG in February 2026. The SAG's principal expectation was that services which directly benefit an individual customer should be priced and

the cost recovered by TasNetworks on a beneficiary-pays basis, with continued use of price caps. Our proposal reflects that expectation with a fee-based ACS recovering the cost of registration from the party who requests it and benefits from it, and the AER's price cap ensuring that consumers pay no more than the efficient cost of providing the service.

Distribution Asset Rental for EV Charging Infrastructure

The service

The growing uptake of EVs is expected to increase demand for public vehicle charging, particularly kerbside charging in urban areas where off-street parking is limited. Distribution poles and other network assets are often the most practical place to mount kerbside chargers because they are already located along the kerb, are already connected to supply and avoid the cost and visual impact of new street furniture. As has been the case elsewhere in the NEM, EV charging providers and local governments are expected to increasingly seek access to TasNetworks' distribution assets for this purpose.

Under the current F&A applying to TasNetworks, the leasing of space on distribution assets to third parties is an unclassified service. This is the position in all NEM jurisdictions other than Victoria where, in its final decision on the Victorian distributors' 2026-2031 determinations in April 2026, the AER elected to classify the rental of distribution assets for EVCI as a negotiated distribution service. That decision involves the same model we propose here, where the distributor provides third parties with access to existing assets, such as poles, to install and operate their own charging infrastructure.

Our proposal is for the asset rental model to be made available in Tasmania, as in Victoria, as we consider the asset rental model is the appropriate starting point for our network to facilitate the wider availability of public EVCI in Tasmania because of the level of market activity and interest from providers of contestable EVCI.

The current unregulated access to the leasing or rental of TasNetworks assets for the purposes of mounting EVCI also gives third party providers of EVCI and charge point operators limited protections. As an unregulated service there is no approved negotiating framework, no defined criteria against which access terms are set and no access to a regulatory dispute resolution process. As demand for pole mounted charging grows, these gaps risk slowing the roll-out of charging infrastructure and producing inconsistent outcomes for the communities we serve, which is why TasNetworks is requesting that distribution asset rental for EVCI be made a negotiated service in Tasmania from 1 July 2029.

Our proposal

We propose that distribution asset rental for EVCI be classified as a negotiated distribution service for the 2029-2034 regulatory period. Under this classification:

- the AER would approve a negotiating framework and negotiated distribution service criteria as part of its distribution determination for TasNetworks, setting out how we must negotiate with a party seeking access to our assets, the information we must provide, and the timeframes that would apply;
- prices and terms would be negotiated between us and the access seeker, allowing terms to reflect the specific assets, location and infrastructure involved; and
- the access seeker would have recourse to the dispute resolution process in Part L of Chapter 6 of the NER if agreement cannot be reached.

We consider a negotiated classification strikes the right balance for the asset-rental model. A SCS classification would see the costs of EVCI providers' access to TasNetworks' assets recovered from all retail customers and result in standard terms being applied to what is likely to be a diverse set of sites,

assets and technologies. An SCS classification is better suited to the EVCI model which involves DNSP ownership of public chargers, which are then made available to third party charge point operators.

Leaving the service unregulated, as is currently the case in Tasmania, affords little in the way of protection to access seekers. In contrast, a negotiated service gives access seekers meaningful protections, gives the AER oversight of the framework within which terms are agreed, and would be consistent with the AER's April 2026 final decision on the same service in Victoria, promoting consistency across the NEM.

Rule change requests lodged with the AEMC in April 2026 by Energy Networks Australia and the Australian Government both seek to enable distributor-led charging infrastructure through amendments to the NER. We will consider any relevant developments arising from these requests and raise these with the AER and stakeholders through the F&A process as they evolve.

Stakeholder feedback

Arrangements for EVCI were raised with both our SAG and our Local Government Forum. Councils expressed clear support for strategies that allow public charging infrastructure to be rolled out quickly and efficiently so that residents have options for charging EVs other than destination and enroute charging.

A negotiated service with an AER-approved framework and timeframes responds to that need by giving charging providers a clear path to access our assets. We will continue to engage with councils, charging providers and the SAG on the details of the negotiating framework as we develop our regulatory proposal for the 2029-2034 regulatory control period.

Leasing of spare capacity in distributed battery energy storage systems (BESS)

The service

Batteries have the potential to provide significant network benefits by improving network reliability and/or managing demand, but at times these assets will be idle. There are significant opportunities to improve the utilisation of network batteries and, more importantly, the value they can provide to customers, by leasing excess capacity to third parties.

Our proposal

A class waiver currently allows DNSPs to lease spare battery capacity of community batteries funded under the Australian Government's Community Batteries for Household Solar Programme. We propose that the leasing of spare capacity in distributed battery energy storage systems be classified as an unclassified distribution service for the 2029-2034 regulatory period. This service would enable excess capacity in any future BESS installed and operated by TasNetworks to be made available to third parties without the need for a ring-fencing waiver.

Stakeholder feedback

Our People's Panel recommendations include a specific recommendation aimed at increasing the utilisation and number of distributed BESS, where they can support network and customer outcomes.

Evolving energy

A number of matters currently under consideration by governments and market bodies may give rise to further service classification questions for TasNetworks' 2029-2034 regulatory period, although they are not yet sufficiently advanced to propose changes to the services and service classifications applying to TasNetworks in its upcoming regulatory control period. These include:

- the potential reforms that might result from the AEMC's Electricity Network Regulation Review
- the AEMC's draft determination in response to the Commonwealth Government Department of Climate Change, Energy, the Environment and Water rule change request that would enable DNSPs to provide EVCI
- the Commonwealth Consumer Energy Resources Taskforce's recommendation in December 2025 that DNSPs should be assigned the responsibility and accountability to undertake Distribution System Operator activities
- the regulatory treatment of new connections for emerging large loads such as data centres, on which the Australian Government has foreshadowed the implementation of national standards
- changes to the Tasmanian Electrical Safety Act that may require TasNetworks to take on the management of private asset defects.

We will continue to engage with stakeholders on these matters and will raise any resulting service classification proposals with the AER through the F&A process or, if a material change in circumstances arises after the final F&A for TasNetworks has been determined, in accordance with clause 6.12.3(b) of the NER, which allows the AER to classify distribution services outside of the relevant F&A paper in circumstances where the AER considers that a material change in circumstances justifies departing from the classification set out in and F&A paper.

4. Other Elements of the F&A

In addition to setting out the service classification and forms of control for TasNetworks' distribution services, the F&A for the 2029-2034 regulatory control period is also required to set out the incentive schemes that will apply, how the AER will apply its EFA Guideline, and the depreciation approach used to roll forward TasNetworks' RAB. The arrangements applying to TasNetworks in the current regulatory control period have provided efficient incentives for our network and have delivered benefits for customers through efficient costs and service levels. We consider, therefore, that they remain appropriate for the 2029-2034 regulatory period and envisage no material changes in circumstance that might affect the AER's previous rationale for adopting them.

Control Mechanisms

Under the NER a distribution determination must impose controls over the prices and/or revenues of direct control services. TasNetworks proposed forms of control for the 2029-2034 period are outlined in Table 4.

Table 4 Proposed forms of control for the 2029-2034 period

Classification	2024-2029	2029-2034	Reason
Standard control	Revenue cap	Revenue cap	Continuation of current arrangements. A revenue cap remains consistent with the factors in NER cl. 6.2.5(c), provides a higher likelihood of recovering efficient costs, supports demand management incentives and does not expose customers to volume risk.
Alternative control - fee-based ancillary network (including proposed BYDA registration)	ACS (Price cap)	ACS (Price cap)	Continuation of current arrangements. The BYDA registration fee would be set in the distribution determination.
Alternative control - quoted ancillary network	ACS (Price cap)	ACS (Price cap)	Continuation of current arrangements.
Negotiated distribution (proposed: asset rental for public EVCI purposes)	n/a	Negotiate and arbitrate	Negotiating framework and criteria to be approved by the AER in the distribution determination.

No changes are proposed to the revenue cap formula for SCS or to the price cap formulae for ACS. The control mechanism formulas in the current F&A are proposed to be carried forward, with any updates required to reflect the regulatory years of the 2029-2034 period.

Incentive schemes

TasNetworks strongly supports the application of incentive regulation to NSPs in the NEM as a means of delivering long-term efficiencies and improved outcomes for customers. We note that in its recent review[3] of the incentive schemes applied to NSPs in the NEM, the AER concluded that the schemes have delivered substantial net benefits to consumers, primarily through lower network costs and improved reliability.

We propose, therefore, that the AER continue to apply the following schemes in the 2029-2034 period (as relevant for both distribution and transmission networks):

- the Service Target Performance Incentive Scheme (**STPIS**)
- the Efficiency Benefit Sharing Scheme (**EBSS**)
- the Capital Expenditure Sharing Scheme (**CESS**)
- the Demand Management Incentive Scheme (**DMIS**) and Demand Management Innovation Allowance Mechanism (**DMIAM**)
- small scale incentive schemes such as the Customer Service Incentive Scheme (**CSIS**).

The establishment and design of any small scale incentive scheme for 2029-2034, including how the annual revenue at risk should be apportioned between different performance targets, will be subject to our ability to satisfy the principles of the scheme and the results of engagement with our customers during the development of our regulatory proposal.

Regulatory Depreciation

The NER require the AER to determine in the F&A whether depreciation for establishing the RAB at the commencement of the following regulatory control period is to be based on actual or forecast capital expenditure. The forecast depreciation approach is consistent with the operation of the CESS, which rewards efficient capital expenditure with reference to the forecast. We propose that the AER retain the forecast depreciation approach applied in the current period to roll forward the RAB to 1 July 2034.

Expenditure Forecast Assessment Guideline

The AER's EFA Guideline sets out the assessment techniques the AER will use when considering our proposed expenditure forecasts, and the information we must provide to support them. Those techniques include economic benchmarking, category analysis, predictive modelling and trend analysis, methodology and governance reviews, and detailed project reviews. The AER has supplemented the EFA Guideline with the expectations set out in its Better Resets Handbook.

We seek the AER's indication in the F&A of its proposed approach to applying the EFA Guideline to our 2029-2034 revenue and regulatory proposal, so that we can align the structure of our proposal and supporting information with that approach. We will also prepare our proposal in line with the expectations set out in the Better Resets Handbook.

[3] Australian Energy Regulator, *Final decision: Review of incentive schemes for networks*, April 2023

5. Next Steps

We welcome the opportunity to meet with AER to discuss this request and the supporting material. We look forward to engaging with the AER and continuing to engage with our customers and stakeholders through the F&A process to ensure the replacement F&A best reflects the long-term interests of our customers.



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