



**AEMO transmission determination:
Draft negotiated transmission service criteria**

October 2013

© Commonwealth of Australia 2013

This work is copyright. Apart from any use permitted by the Copyright Act 1968, no part may be reproduced without permission of the Australian Competition and Consumer Commission. Requests and inquiries concerning reproduction and rights should be addressed to the Director Publishing, Australian Competition and Consumer Commission, GPO Box 3131, Canberra ACT 2601.

Inquiries about this document should be addressed to:

Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001
Tel: (03) 9290 1444
Fax: (03) 9290 1457
Email: AERInquiry@aer.gov.au

AER reference: 52117

Overview

In Victoria, the Australian Energy Market Operator (AEMO) provides negotiated and prescribed transmission services. It is regarded as a transmission network service provider (TNSP) for the purposes of Chapter 6A of the National Electricity Rules (NER).¹

We, the Australian Energy Regulator (AER), must make a transmission determination for AEMO consisting of a pricing methodology, negotiating framework, and negotiating transmission service criteria (NTSC). We are not required to make a revenue determination for AEMO.

We are required to develop the NTSC. The NTSC set out the criteria for negotiating and arbitrating the terms and conditions of access for negotiated transmission services.

In August 2013, AEMO submitted its proposed pricing methodology and proposed negotiating framework. They are available on our website along with an issues paper we have published to assist stakeholders with making their submissions: <http://www.aer.gov.au/node/22265>

Our draft NTSC is contained in section 2.1. Stakeholders wishing to comment on the draft NTSC, or AEMO's proposed pricing methodology and proposed negotiating framework, must provide their submission to us by close of business 25 November 2013.

Submissions must be sent electronically to [AEMOdetermination@aer.gov.au](mailto:AEMOdetermination@ aer.gov.au).

Inquiries on this matter should be directed to the Network Regulation Branch (Canberra office) of the AER on 02 6243 1240.

¹ NER, S6A.4.1(a)

1 The NTSC

We are required to develop the NTSC for AEMO. The criteria we develop form part of our transmission determination for AEMO's next regulatory control period commencing 1 July 2014. We are required to call for submissions on a draft NTSC before making our final determination.

1.1 Negotiated services

We do not set the revenue that a TNSP can recover from negotiated services. Our role is to facilitate negotiations between a negotiated service applicant and TNSPs. We do this through developing the NTSC and approving a negotiating framework a TNSP has proposed.

We do not set the revenue recoverable from negotiated services. Negotiated service applicants are generally capable of entering into arrangements with a TNSP on commercial terms. Most negotiated service applicants are high energy users such as aluminium smelters or mineral resource miners. The NER sets out the types of service that are classified as negotiated services. They include shared transmission services that exceed the standard network performance requirements of a TNSP and connection services that are provided to service one user, or a small group of users, at a single connection point.²

1.2 Requirements of the NTSC

The NER sets out the requirements of our NTSC determination. For TNSPs, the NTSC must establish the criteria they are to follow when negotiating the terms and conditions of access for negotiated transmission services.³ For commercial arbitrators, the NTSC must establish the criteria that they are required to consider when resolving any disputes between a TNSP and a service applicant wishing to receive a negotiated service.⁴

More specifically, the NTSC that we develop must give effect to and be consistent with the negotiating transmission service principles set out in clause 6A.9.1 of the NER.⁵ For previous NTSCs we have, thus, adopted the negotiating transmission service principles in the NER as the criteria of the NTSC we developed.⁶

² NER, Chapter 10

³ NER, 6A.9.4(a)(1)

⁴ NER, 6A.9.4(a)(2)

⁵ NER, 6A.9.4(b)

⁶ AER, *Call for submissions: proposed negotiating transmission service criteria for ElectraNet*, July 2012; AER, *Call for submissions: proposed negotiating transmission service criteria for SP AusNet*, April 2013

2 Draft NTSC

We have developed a draft NTSC for AEMO. Consistent with previous determination, our draft NTSC for AEMO adopt the negotiating transmission service principles in the NER as their criteria.

2.1 The draft criteria

National Electricity Objective

1. The terms and conditions of access for a negotiated transmission service, including the price that is to be charged for the provision of that service and any access charges, should promote the achievement of the national electricity objective.

Criteria for terms and conditions of access

Terms and conditions of access

2. The terms and conditions of access for a negotiated transmission service must be fair, reasonable, and consistent with the safe and reliable operation of the power system in accordance with the NER.
3. The terms and conditions of access for negotiated transmission services, particularly any exclusions and limitations of liability and indemnities, must not be unreasonably onerous. Relevant considerations include the allocation of risk between the TNSP and the other party, the price for the negotiated transmission service and the cost to the TNSP of providing the negotiated service.
4. The terms and conditions of access for a negotiated transmission service must take into account the need for the service to be provided in a manner that does not adversely affect the safe and reliable operation of the power system in accordance with the NER.

Price of services

5. The price of a negotiated transmission service must reflect the cost that the TNSP has incurred or incurs in providing that service, and must be determined in accordance with the principles and policies set out in the Cost Allocation Methodology.
6. Subject to criteria 7 and 8, the price for a negotiated transmission service must be at least equal to the avoided cost of providing that service but no more than the cost of providing it on a stand alone basis.
7. If the negotiated transmission service is a shared transmission service that:
 - i. exceeds any network performance requirements which it is required to meet under any relevant electricity legislation; or
 - ii. exceeds the network performance requirements set out in schedule 5.1a and 5.1 of the NER

then the difference between the price for that service and the price for the shared transmission service which meets network performance requirements must reflect the TNSP's incremental cost of providing that service (as appropriate).

8. For shared transmission services, the difference in price between a negotiated transmission service that does not meet or exceed network performance requirements and a service that meets those requirements should reflect the TNSP's avoided costs. Schedule 5.1a and 5.1 of the NER or any relevant electricity legislation must be considered in determining whether any network service performance requirements have not been met or exceeded.
9. The price for a negotiated transmission service must be the same for all Transmission Network Users. The exception is if there is a material difference in the costs of providing the negotiated transmission service to different Transmission Network Users or classes of Transmission Network Users.
10. The price for a negotiated transmission service must be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person. In such cases the adjustment must reflect the extent to which the costs of that asset are being recovered through charges to that other person.
11. The price for a negotiated transmission service must be such as to enable the TNSP to recover the efficient costs of complying with all regulatory obligations associated with the provision of the negotiated transmission service.

Criteria for access charges

Access charges

12. Any access charges must be based on the costs reasonably incurred by the TNSP in providing Transmission Network User access. This includes the compensation for foregone revenue referred to in clause 5.4A(h) to (j) of the NER and the costs that are likely to be incurred by a person referred to in clause 5.4A(h) to (j) of the NER (as appropriate).