

 FINAL DECISION

TransGrid transmission determination

 2015−16 to 2017−18

Attachment 14 – Negotiated services

April 2015

© Commonwealth of Australia 2015

This work is copyright. In addition to any use permitted under the Copyright Act 1968, all material contained within this work is provided under a Creative Commons Attributions 3.0 Australia licence, with the exception of:

* the Commonwealth Coat of Arms
* the ACCC and AER logos
* any illustration, diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright, but which may be part of or contained within this publication. The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 3.0 AU licence.

Requests and inquiries concerning reproduction and rights should be addressed to the:

Director, Corporate Communications
Australian Competition and Consumer Commission
GPO Box 4141, Canberra ACT 2601

or publishing.unit@accc.gov.au.

Inquiries about this publication 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: 53444

1. Note
2. This attachment forms part of the AER's final decision on TransGrid’s revenue proposal 2015–18. It should be read with other parts of the final decision.
3. The final decision includes the following documents:
4. Overview
5. Attachment 1 – maximum allowed revenue
6. Attachment 2 – regulatory asset base
7. Attachment 3 – rate of return
8. Attachment 4 – value of imputation credits
9. Attachment 5 – regulatory depreciation
10. Attachment 6 – capital expenditure
11. Attachment 7 – operating expenditure
12. Attachment 8 – corporate income tax
13. Attachment 9 – efficiency benefit sharing scheme
14. Attachment 10 – capital expenditure sharing scheme
15. Attachment 11 – service target performance incentive scheme
16. Attachment 12 – pricing methodology
17. Attachment 13 – pass through events

Attachment 14 – negotiated services

1. Contents

[Note 14-2](#_Toc417561223)

[Contents 14-3](#_Toc417561224)

[Shortened forms 14-4](#_Toc417561225)

[14 Negotiated services 14-6](#_Toc417561226)

[14.1 Final decision 14-6](#_Toc417561227)

[14.2 TransGrid’s revised proposal 14-6](#_Toc417561228)

[14.3 AER’s assessment approach 14-6](#_Toc417561229)

[14.4 Reasons for final decision 14-7](#_Toc417561230)

1. Shortened forms

| 1. Shortened form
 | 1. Extended form
 |
| --- | --- |
| 1. AARR
 | 1. aggregate annual revenue requirement
 |
| 1. AEMC
 | 1. Australian Energy Market Commission
 |
| 1. AEMO
 | 1. Australian Energy Market Operator
 |
| 1. AER
 | 1. Australian Energy Regulator
 |
| 1. ASRR
 | 1. annual service revenue requirement
 |
| 1. augex
 | 1. augmentation expenditure
 |
| 1. capex
 | 1. capital expenditure
 |
| 1. CCP
 | 1. Consumer Challenge Panel
 |
| 1. CESS
 | 1. capital expenditure sharing scheme
 |
| 1. CPI
 | 1. consumer price index
 |
| 1. DRP
 | 1. debt risk premium
 |
| 1. EBSS
 | 1. efficiency benefit sharing scheme
 |
| 1. ERP
 | 1. equity risk premium
 |
| 1. MAR
 | 1. maximum allowed revenue
 |
| 1. MRP
 | 1. market risk premium
 |
| 1. NEL
 | 1. national electricity law
 |
| 1. NEM
 | 1. national electricity market
 |
| 1. NEO
 | 1. national electricity objective
 |
| 1. NER
 | 1. national electricity rules
 |
| 1. NSP
 | 1. network service provider
 |
| 1. NTSC
 | 1. negotiated transmission service criteria
 |
| 1. opex
 | 1. operating expenditure
 |
| 1. PPI
 | 1. partial performance indicators
 |
| 1. PTRM
 | 1. post-tax revenue model
 |
| 1. RAB
 | 1. regulatory asset base
 |
| 1. RBA
 | 1. Reserve Bank of Australia
 |
| 1. repex
 | 1. replacement expenditure
 |
| 1. RFM
 | 1. roll forward model
 |
| 1. RIN
 | 1. regulatory information notice
 |
| 1. RPP
 | 1. revenue and pricing principles
 |
| 1. SLCAPM
 | 1. Sharpe-Lintner capital asset pricing model
 |
| 1. STPIS
 | 1. service target performance incentive scheme
 |
| 1. TNSP
 | 1. transmission network service provider
 |
| 1. TUoS
 | 1. transmission use of system
 |
| 1. WACC
 | 1. weighted average cost of capital
 |

# Negotiated services

We must approve a transmission negotiating framework and specify the negotiated transmission service criteria for TransGrid.

In contrast to our regulation of prescribed transmission services, the provision of negotiated transmission services is less directly regulated by the AER. Instead, under the National Electricity Rules (NER), these services are subject to negotiation between parties, or alternatively arbitration and dispute resolution by a commercial arbitrator.

For the purpose of facilitating such negotiation and arbitration, a transmission business must prepare, for our approval, a negotiating framework which sets out procedures for negotiating the terms and conditions of access to a negotiated transmission service.[[1]](#footnote-1) In addition, we specify for each transmission business the negotiated transmission service criteria (NTSC) that it must apply in negotiating terms and conditions of access, including the prices and access charges for negotiated transmission services.[[2]](#footnote-2) They also contain the criteria that a commercial arbitrator must apply to resolve disputes about such terms and conditions and/or access charges.[[3]](#footnote-3)

## Final decision

We affirm our draft decision approving TransGrid's proposed negotiating framework.

We will apply to TransGrid the NTSC we published in May 2014.[[4]](#footnote-4)

## TransGrid’s revised proposal

TransGrid did not submit a revised negotiating framework. Instead, it accepted the AER's draft decision approving the negotiating framework submitted with TransGrid's initial revenue proposal.[[5]](#footnote-5)

## AER’s assessment approach

In reaching our draft decision, we considered whether:

* the proposed negotiating framework specified the minimum requirements in clause 6A.9.5(c) of the NER[[6]](#footnote-6)
* the NTSC sets out criteria reflecting the negotiated transmission service principles in clause 6A.9.1 of the NER[[7]](#footnote-7)

## Reasons for final decision

1. We affirm our draft decision approving TransGrid's proposed negotiating framework because it specifies and meets the minimum NER requirements.[[8]](#footnote-8) These include, among other things, a statement that TransGrid will negotiate in good faith and a description of procedures for dealing with disputes. For our full reasons for approving TransGrid's proposed negotiating framework, refer to attachment 14 of our draft decision: <http://www.aer.gov.au/node/23137>.

The NTSC we published in May 2014 sets out criteria reflecting the negotiated transmission service principles in clause 6A.9.1 of the NER.[[9]](#footnote-9) We therefore confirm that it will apply to TransGrid in the 2015–18 regulatory control period.

1. NER, cl. 6A.9.5(a). [↑](#footnote-ref-1)
2. NER, cl. 6A.9.4(a)(1). [↑](#footnote-ref-2)
3. NER, cl. 6A.9.4(a)(2). [↑](#footnote-ref-3)
4. The NTSC can be accessed via this link: http://www.aer.gov.au/node.23137. [↑](#footnote-ref-4)
5. TransGrid, Revised revenue proposal: 2014–15 to 2017–18, January 2015, p. 14. [↑](#footnote-ref-5)
6. NER, cll. 6A.9.5(b)(2); 6A.14.3(f). [↑](#footnote-ref-6)
7. NER, cll. 6A.9.4(a) and (b); 6A.14.1(i)` [↑](#footnote-ref-7)
8. NER, cl. 6A.9.5(c). [↑](#footnote-ref-8)
9. The NTSC can be accessed via this link: http://www.aer.gov.au/node.23137. [↑](#footnote-ref-9)