NSW Electricity Infrastructure Fund– Contribution Determination Guideline

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AUSTRALIAN ENERGY REGULATOR

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Glossary

Term	Definition or extended form
AER	Australian Energy Regulator
Contribution Determination	The annual contribution determination to be made by the AER as Regulator under section 56 of the EII Act.
Contribution Order	The contribution orders issued by the Scheme Financial Vehicle to Designated Network Service Providers under section 58 of the EII Act.
Consumer Trustee	A person or body authorised under section 60 of the EII Act to exercise the functions of the consumer trustee. The consumer trustee is required to act independently and in the long-term financial interests of NSW electricity consumers. AEMO Services Ltd has been appointed to undertake this role.
DNSP	A distribution network service provider which, for the purposes of the EII Act, has the same meaning as in the NER.
Financial Trustee	A person or body authorised under section 61 of the EII Act to exercise the functions of the Financial Trustee.
Fund	Electricity Infrastructure Fund
EII Act	Electricity Infrastructure Investment Act 2020 (NSW)
Infrastructure Planner	A person authorised to exercise the functions of an infrastructure planner under section 63 of the EII Act. The infrastructure planner performs a range of planning and contracting functions. The Energy Corporation of NSW has been appointed to undertake this role for the five REZs specified in the EII Act.
IPART	NSW Independent Pricing and Regulatory Tribunal
NEL	National Electricity Law
NER	National Electricity Rules
OECC	Office of Energy and Climate Change within NSW Treasury.
Network infrastructure project	A REZ Network Infrastructure Project or Priority Transmission Infrastructure Project as defined under the EII Act.
Regulations	Any regulations made under the EII Act.
Regulator	A person or body authorised under section 64 of the EII Act to exercise the functions of a regulator.
REZ	Renewable Energy Zone, being the geographical area of NSW and the infrastructure specified in a declaration by the Minister under section 19 of the EII Act.
Roadmap	NSW Electricity Infrastructure Roadmap
Scheme Financial Vehicle	A person or body authorised under section 62 of the EII Act to exercise the functions of the Scheme Financial Vehicle.
Scheme Entities	Consumer trustee, financial trustee, infrastructure planner, regulators and scheme financial vehicle
Year notations	As at the point in time of the February gazettal of the contribution determination each year (this is the *t-1* year): • *actuals year* refers to the preceding financial year (the *t-2* year e.g., as at October 2022, this would cover FY 21−22).

Term	Definition or extended form

	• *current year* refers to the current financial year (the *t-1* year e.g., as at October 2022, this would cover FY 22−23).
	• *upcoming year* refers to the subsequent financial year (the *t+1* year e.g., as at October 2022, this would cover FY 23−24), which is the year to which the contribution determination applies.
	• *forecast years* refers to the:
	  ○ *t+2* financial year (e.g., as at October 2022, this would cover FY 24−25), and
	  ○ *t+3* financial year (e.g., as at October 2022, this would cover FY 25−26).

1 Introduction

1.1 Who are we?

Our role is to ensure energy consumers are better off, now and in the future. We are the economic regulator for electricity and gas networks in every state and territory in Australia, except Western Australia. We regulate electricity networks under the National Electricity Law and National Electricity Rules.

We are also a regulator under the EII Act.[1] One of our conferred functions as regulator is to make annual contribution determinations under section 56 of the EII Act. This function is the subject of this guideline.

Other functions undertaken by us under the EII Act, which are not covered by this guideline, include:

- undertaking a Transmission Efficiency Test and making revenue determinations for network infrastructure projects authorised by the consumer trustee, or authorised (or directed) by the Minister (Part 5 of the EII Act);[2]
- approving a risk management framework developed by the consumer trustee (Part 6 of the EII Act); and
- being consulted on tender rules in relation to long-term energy service agreements (Part 6 of the EII Act).

1.2 The NSW Roadmap

The NSW Electricity Infrastructure Roadmap (Roadmap) sets out the NSW Government's plan for the transition of the electricity market in NSW. It centres on coordinating private investment in new network, generation, long-duration storage, and firming infrastructure as ageing coal-fired generators retire.

The Roadmap is implemented under NSW's *Electricity Infrastructure Investment Act* (the EII Act).

The Roadmap or scheme involves various costs, including payments to network operators,[3] the costs associated with successful tenderers for infrastructure underwriting contracts (known as long-term energy service agreements), and the administrative costs of scheme entities.[4] Specifically, the contribution determination facilitates the recovery of these costs to support the continued operation of the Roadmap.

1.3 The NSW Electricity Infrastructure Fund

Part 7 of the EII Act sets out a framework for costs associated with the Roadmap to be managed through an Electricity Infrastructure Fund (Fund) established by a scheme financial vehicle.

1 https://www.aer.gov.au/communication/aer-appointed-as-regulator-of-the-nsw-renewable-energy-zones.

2 Network infrastructure projects can also be authorised by the NSW Minister.

3 Both in relation to a REZ Network Infrastructure Project or Priority Transmission Infrastructure Project as defined under the EII Act or Regulations.

4 The scheme entities that will recover costs under the contribution determination are the AER as a Regulator, the Consumer Trustee (AEMO Services), the Financial Trustee, the Infrastructure Planner and the NSW Independent Pricing and Regulatory Tribunal IPART as a Regulator.

The scheme financial vehicle will recover costs paid from the Fund through payments from the NSW distribution network service providers (DNSPs).[5] The NSW DNSPs will then pass the costs through to retailers which will, in turn, recover the amounts from NSW electricity consumers through their retail bills,[6] as illustrated in Figure 1.

We are required to make an annual contribution determination that sets out the amount required for the scheme financial vehicle to be able to make payments from the Fund that are required under the EII Act, including the amount required for the scheme financial vehicle to meet its liabilities as they fall due.[7]

Our determinations must include:[8]

- a minimum prudent cash balance for the Fund; and
- the amount required to be paid by each NSW DNSP.

In making a contribution determination, we must consult with the financial trustee and consider the matters prescribed by the *Electricity Infrastructure Investment Regulation 2021* (Regulations).[9] The EII Act requires us to gazette our contribution determination by 28 February each year.[10] To enable us to make the contribution determination, we can request information from the scheme financial vehicle that we consider necessary to complete this function.[11] In addition, the Regulations[12] provide us with the power to request information from the consumer trustee, the financial trustee and the infrastructure planner.

5 EII Act, s. 58(1). The NSW DNSPs are Ausgrid, Endeavour Energy and Essential Energy.

6 OECC, *Electricity Infrastructure Fund (Part 7 of the EII Act 2020), Policy Paper*, September 2021, p. 4.

7 EII Act, s. 56(1).

8 EII Act, s 56(3).

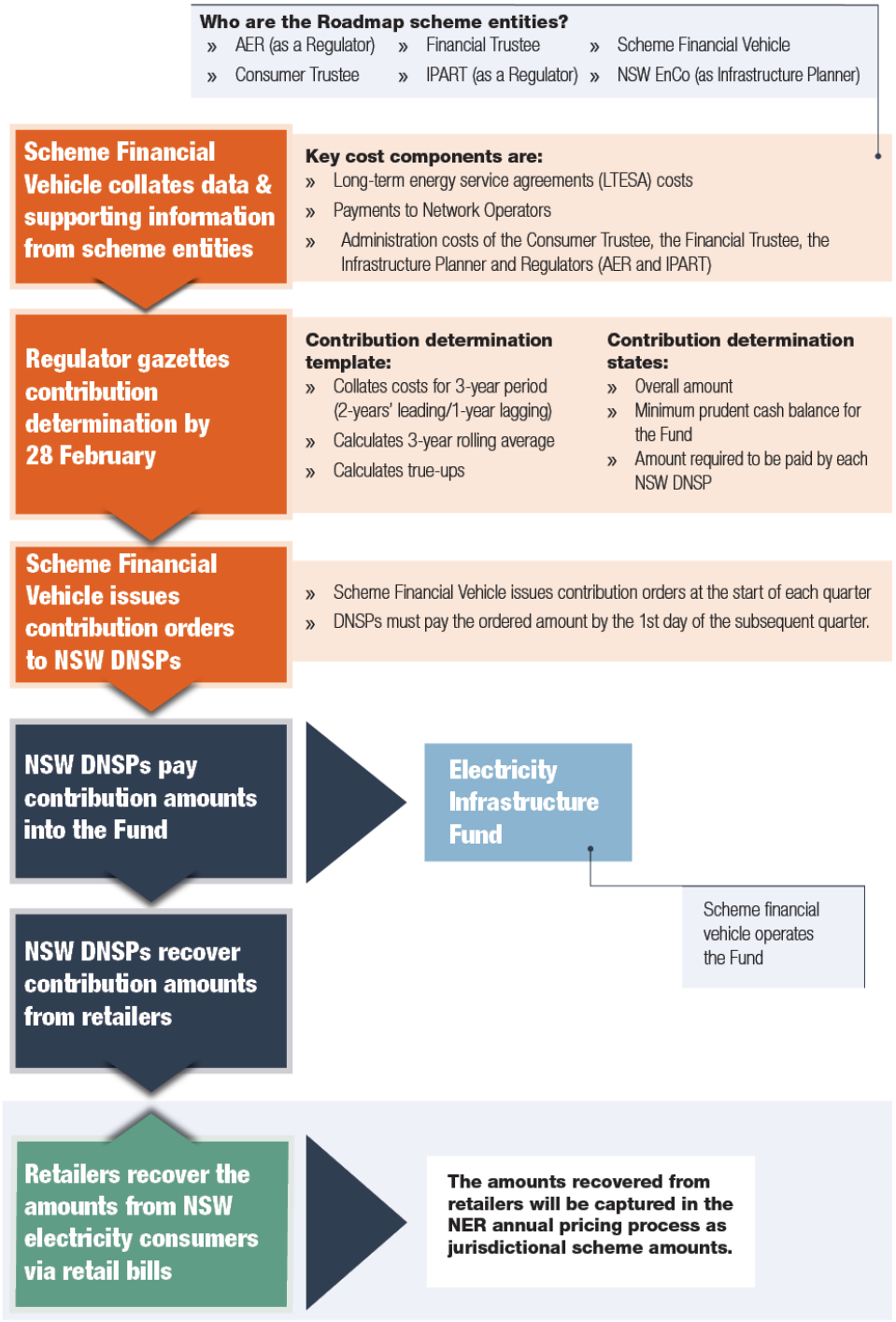
9 We will engage with the financial trustee about the process for this consultation once a financial trustee has been appointed.

10 EII Act, s. 56(5).

11 EII Act, s. 56(7).

12 The clause entitled 'Provision of information to regulator'.

Figure 1: Overview of contribution determination process



1.4 Regulations

In making a contribution determination, the Regulations require us to consider the following matters:[13]

a. The need to limit variability in contribution determinations from year to year. (That is, stability and minimal cost volatility).[14]

b. The equitable allocation of the contribution determination between DNSP's based on each DNSP's:

   i. Volumetric energy delivered in the previous financial year; and

   ii. Peak demand in the previous financial year.[15]

c. The need for the scheme financial vehicle to be able to meet its liabilities as they fall due.[16]

d. Information provided to us by the consumer trustee, the financial trustee, the infrastructure planner or the NSW Independent Pricing and Regulatory Tribunal (IPART).[17]

The Office of Energy and Climate Change (OECC) policy paper on the Fund[18] also sets out 'best practice' principles to guide development of the framework. Two principles that were captured in OECC's paper and not covered in the Regulations, but we consider important for NSW electricity consumers, are that the contribution determination process and method be:

- Simple – The arrangements should be easy to understand and, where appropriate, minimise administrative burden.
- Auditable – Processes and data should be transparent, auditable and verifiable.

1.5 Purpose of this guideline

To give effect to our regulatory functions under the EII Act and Regulations, this guideline sets out our process and method for how we intend to make a contribution determination, along with the roles and responsibilities of each scheme entity. Our method will be implemented through the contribution determination template (template).[19]

This guideline also details:

- instructions to assist owners of source data complete the template.
- instructions for provision of supporting material, auditing, quality assurance and an approach to confidentiality.
- how the contribution determination template and supporting information is compiled by the scheme financial vehicle and submitted to us to check for compliance with the EII Act and Regulations and this guideline.

Bringing the above material together will enable us to confirm the costs of the Roadmap. Specifically, this includes:

13 The clause entitled 'Contribution determination—matters to be taken into account'.

14 See section 5.2 of this guideline on 3-year rolling average.

15 See section 5.4 of this guideline on apportionment.

16 See section 6.1 of this guideline on minimum prudent cash balance.

17 See section 2.3 of this guideline on supporting information.

18 OECC, *Electricity Infrastructure Fund (Part 7 of the EII Act 2020), Policy Paper*, September 2021, p. 8.

19 The template can be found on the AER's website here.

- Payments to network operators, in relation to REZ network infrastructure projects or priority transmission infrastructure projects under Part 5 of the EII Act.
- The costs associated with underwriting of generation, storage or firming infrastructure investments by the consumer trustee through the electricity infrastructure investment safeguard provisions under Part 6 of the EII Act (that is, long-term energy service agreements).
- The administrative costs of the scheme entities that perform functions under the EII Act:[20]
    - Regulators (AER and IPART).[21]
    - Consumer trustee (AEMO Services).[22]
    - Financial trustee.[23]
    - The infrastructure planner (Energy Corporation of NSW).[24]

1.6 Interaction with the National Electricity Rules

Under the National Electricity Rules (NER), DNSPs charge electricity retailers distribution tariffs to enable them to recover the revenue needed to build, operate and maintain the networks used to transport electricity.

The NER require DNSPs to apply to the AER to assess their revenue requirements, which typically occurs every five years.

Chapter 6 of the NER sets out the framework we apply to assess the prudency and efficiency of the proposed revenue requirements and make a revenue determination.

During the 5-year regulatory period covered by our revenue determination, we also undertake an annual pricing process to check the DNSPs are implementing the revenue determination correctly, to apply the pass-through of transmission and jurisdictional scheme costs, and to update the allowed revenue and prices to reflect changes in key assumptions underpinning the determination (for example, inflation and the cost of debt).

DNSP costs to be recovered through a revenue determination include costs related to the operation of jurisdictional schemes. Upon application, we must determine whether a jurisdictional scheme satisfies eligibility criteria to be included in a revenue determination. These eligibility criteria include where State or Territory legislation mandatorily requires DNSPs to pay a specified amount into a fund or credit charges against a person.[25] Once a scheme is determined, at each annual pricing

[20] EII Act, s. 55.

[21] EII Act, s. 64.

[22] EII Act, s. 60.

[23] EII Act, s. 61. At the time of publishing our guideline a financial trustee had not been appointed. The scheme financial vehicle's administration costs will be paid for by the financial trustee.

[24] The infrastructure planner will recover its administrative costs in relation to access scheme administration/operation and the costs of implementing/managing programs delivering community and employment benefits for each REZ, both on the basis of access scheme declarations made by the Minister under s. 24 of the EII Act, which create liabilities within the meaning of s.55(a) of the EII Act. The infrastructure planner may also recover other administration costs on the basis of Ministerial approval under s. 66(4) of the EII Act.

[25] NER, cl. 6.18.7A(x).

review we must review the amounts to be passed through to network tariffs relating to jurisdictional schemes.

Following applications by the OECC, we determined two schemes under the EII Act to be jurisdictional schemes:[26]

- First, in December 2021, we determined the scheme under section 58(1) of the EII Act to be a jurisdictional scheme.[27]
- Second, in August 2022, we determined to be a jurisdictional scheme the scheme under section 58(6) of the EII Act and the clause of the Regulations entitled 'Recovery of amounts payable under contribution orders.'[28]

The determination of these jurisdictional schemes allows for contribution determination amounts under the EII Act to be passed through to electricity retailers (and subsequently NSW electricity customers) via DNSP charges.

In applying our guideline, we (and the scheme entities) will undertake a rigorous data collation, assurance and compliance process. However, when we conduct the annual pricing process under the NER, we will not reinterrogate the jurisdictional amounts arrived at in our contribution determination beyond NER requirements and our usual treatment of jurisdictional amounts.[29]

1.7 Authority for this guideline

The EII Act gives us a general power to issue guidelines in relation to the exercise of our functions.[30] The EII Act also requires us to publish guidelines about how we will exercise our functions to vary contribution determinations.[31]

We consider it appropriate to issue a general guideline about our annual contribution determination process and method. Section 8 of the guideline covers how we would exercise our functions to vary a contribution determination.

We may update this guideline and the template from time to time. If appropriate, we will consult with the relevant entities.

Notably, there are three inputs to the contribution method included in our guideline and template that we developed based on policy positions of the OECC, the scheme financial vehicle and consumer trustee respectively.

- First, the OECC released a policy paper on its process regarding exemptions for emissions intensive trade exposed entities and producers of green hydrogen.[32] The second

[26] NER, cl. 6.18.7A(x). We do not have discretion to reject a jurisdictional scheme application if the jurisdictional scheme eligibility criteria are satisfied.

[27] https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/nsw-electricity-infrastructure-investment-act-jurisdictional-scheme-application.

[28] https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/nsw-electricity-infrastructure-investment-act-2nd-jurisdictional-scheme-application.

[29] NER, cl. 6.18.7A

[30] EII Act, s. 64(4). This subsection covers issuing guidelines in relation to the exercise of functions by the persons and bodies appointed under the EII Act.

[31] EII Act, s. 57(2).

[32] OECC, *Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process*.

jurisdictional scheme created under the clause of the Regulations entitled 'Recovery of amounts payable under contribution orders', which we mention in section 1.5 above, provides for these exemptions to be administered. We discuss the exemptions framework further at section 4.6.

- Second, the scheme financial vehicle must input a minimum prudent cash balance to the template.[33]
- Third, the scheme financial vehicle must input costs of long-term energy service agreements to the template.[34]

Both the consumer trustee and scheme financial vehicle must comply with the risk management framework established under section 51(1) of the EII Act to protect the financial interests of NSW electricity consumers with respect to long-term energy service agreements.[35] We approved the risk management framework prepared by the consumer trustee on 8 July 2022.[36]

The risk management framework is underpinned by several detailed subsidiary policies developed by the consumer trustee and scheme financial vehicle. These are intended to state their respective approaches to complying with the risk management framework (including governance arrangements, methodologies and assurances) Notwithstanding, this guideline sets out our instructions for all scheme entities, including the consumer trustee and scheme financial vehicle respectively in terms of data, supporting information and assurances we require to make a contribution determination.

The contribution determination template

We developed the template to:

- provide efficiencies in scheme entities' preparation, assurance and compliance with the EII Act and Regulations and this guideline.
- streamline the AER's assessment of input data.

The structure of the templates should not be altered without prior discussion with the AER. This will ensure that any errors that arise are appropriately considered and actioned across all scheme entities (if relevant), and consistency and the function of the template are maintained.

1.8 Structure of this guideline

The remainder of this guideline is split into process and method.

1.8.1 Process

The process section provides stakeholders with end-to-end insight into how we make a contribution determination. This covers not only our processes as the regulator, but the processes we have set for all scheme entities including:

- Timelines

[33] The scheme financial vehicle inputs an adjustment factor that allows it to maintain a minimum prudent cash balance, based on a range of assumptions about forecast long-term energy service agreement and network costs.

[34] EII Act, s. 56(7).

[35] As stated on page 3 of the risk management framework in the section entitled 'Entities Covered by this Risk Management Framework': https://www.aer.gov.au/system/files/AEMO%20Services%20Ltd%20-%20Risk%20Management%20Framework%20-%20July%202022.pdf

[36] https://www.aer.gov.au/networks-pipelines/nsw-renewable-energy-zones

- Data requirements
- Supporting information requirements (for example, explanation of methodologies and basis of preparation)
- Auditing and quality assurance
- Confidential material
- Handling of errors
- Consultation with the financial trustee.[37]

1.8.2 Method

The method section provides a snapshot of each of the template's worksheets, commentary on its purpose, along with instructions on how to populate the template. Topics covered in this section include inputs, calculations and outputs of the template.

[37] We are required to consult with the financial trustee under s56(6), EII Act. We will engage with the financial trustee about the process for this consultation once a financial trustee has been appointed.

2 The contribution determination process

This chapter sets out the contribution determination processes that apply to all scheme entities in preparing, and us as the regulator, in making an annual contribution determination.

2.1 Transitional arrangements for the first contribution determination

At the time of publishing this guideline, the entities that have been assigned functions under the Roadmap scheme are implementing the first stages of the Roadmap and therefore have no historical data on the costs of the scheme. Consequently, we require a transitional process to enable us to make our first contribution determination by 28 February 2023.

Table 1 provides an overview of the timing and process for the first contribution determination. At the time of writing, the consumer trustee has not yet appointed a financial trustee, which will set up and administer the scheme financial vehicle.[38] The EII Act and Regulations provide us broad information gathering powers that will enable us to obtain the necessary information to make a contribution determination.[39] If not set up by the time of the first contribution determination process to commence in October 2022, the scheme financial vehicle's role in coordinating the information gathering process to support the contribution determination will be undertaken by the consumer trustee or financial trustee.

Table 1: Overview of first contribution determination process

Date[40]	Milestone
By close 30 Sep 22	**AER issues information request to scheme financial vehicle[41]**
	AER will write to the scheme financial vehicle requesting information necessary to make a contribution determination and provide the template and this guideline. From this point, the scheme financial vehicle is responsible for contacting scheme entities and compiling all relevant data and supporting material and conducting quality assurance.
By close 31 Oct 22	**Scheme entities submit data and supporting material to the scheme financial vehicle***
	** Scheme entities must conduct their own quality assurance prior to submission to scheme financial vehicle.* ** Scheme entities must have sufficient number of names on the contact list including senior management and alert the scheme financial vehicle to any changes in staff contacts.* Costs under long-term energy service agreements The scheme financial vehicle provides 2-years leading[42], 1-year lagging data, as follows: • LTESA costs estimate for the current financial year (e.g., as at October 2022, this would cover FY 22−23).

38 https://www.energy.nsw.gov.au/government-and-regulation/electricity-infrastructure-roadmap/entities-delivering-roadmap

39 Section 56(7) of the EII Act provides us with the power to request information from the scheme financial vehicle that we consider necessary to complete this function. In addition, the 'Provision of information to regulator' clause of the Regulations provides us with the power to request information from the consumer trustee, the financial trustee and the infrastructure planner.

40 Where any of these dates falls on a weekend or public holiday, the due date is by close the preceding business day.

41 AER relies on information gathering powers under EII Act, s. 56(7) EII Act and the Regulations.

42 Scheme entities may wish to provide forecasts for outer years in addition to the 2 leading years, but this is not required.

Date[40]	Milestone
	• Placeholder forecast LTESA costs for the subsequent two financial years (e.g., as at October 2022, this would cover FY 23−24 and FY 24−25). Payments to Network Operators The infrastructure planner provides 2-years leading[43], 1-year lagging data, as follows: • REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects costs estimate for the current financial year (e.g., as at October 2022, this would cover FY 22−23) • Forecast REZ network infrastructure costs for REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects for the subsequent two financial years (e.g., as at October 2022, this would cover FY 23−24 and FY 24−25). Administration costs Scheme entities provide 2-years leading[44], 1-year lagging data, as follows: • Administration costs estimate for the current financial year (e.g., as at October 2022, this would cover FY 22−23). • Forecast administration costs for the subsequent two financial years (e.g., as at October 2022, this would cover FY 23−24 and FY 24−25). The scheme entities that will recover administration costs are the consumer trustee, financial trustee, infrastructure planner and regulators (AER and IPART).
By close 30 Nov 22	**Scheme financial vehicle completes compliance check, submits completed template and all supporting material to AER**
	The scheme financial vehicle must conduct a review of all data and supporting information supplied by scheme entities to check it for accuracy. Scheme financial vehicle inputs financial parameters into the template, including its cash flowing modelling and any relevant re-payable grant repayments or revolving credit facilities' repayments. The scheme financial vehicle also collates all supporting information.
By close 20 Jan 23	**Scheme financial vehicle submits to AER the completed template with final data points**
	At this stage, the below two sets of data will remain outstanding. LTESA forecast The scheme financial vehicle inputs into the template the final forecast data for the subsequent two years i.e., the finalised 2-years leading data. This final forecast data updates the placeholder forecast data input in November. Energy data NSW DNSPs provide the scheme financial vehicle with volumetric energy delivered, peak demand and exemptions data, after being confidentially informed of the National Meter Identifiers eligible for exemption by the OECC.[45] The volumetric energy delivered and peak demand data should match the data NSW DNSPs submit to the AER through the Regulatory Information Notice (RINs) process – this data is discussed further at section 4.5 below.

43 As above.

44 As above.

45 Reflecting the process for exemptions data developed by the OECC and outlined in its policy paper: OECC, *Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process.*

Date[40]	Milestone
	The relevant reporting year for the purposes of this volumetric data will be the previous financial year i.e., as at January 2023, the relevant year will be FY 21−22. Once these two sets of outstanding data are input, the scheme financial vehicle submits the completed template to the AER. The scheme financial vehicle must submit to the AER both a confidential version and a version with confidential data redacted that is able to be published.
1 Dec 22 – 31 Jan 23	**AER conducts compliance checks**
	AER checks data and supporting information and obtains any corrections or updates required through the scheme financial vehicle.
By 28 Feb 23	**AER gazettes first contribution determination**
	AER publishes the gazetted contribution determination.

2.2 Process for subsequent contribution determinations

The process for subsequent contribution determinations replicates the transitional arrangements save for some changes to the timeline. This will require scheme entities to provide data on a 2-years leading, 1-year lagging basis (along with actuals data) as proposed by the OECC.[46]

We will commence all subsequent contribution determinations by writing to the scheme financial vehicle in August [47] instead of October. This allows each of the steps to have a longer time allocation.

These differences in the timing are necessary because this guideline was not finalised until September 2022.

Table 2 sets out the process for subsequent contribution determinations including specific details for the data to provide for the 3-year rolling average.

Table 2: Overview of process for subsequent contribution determinations

Date	Milestone
By 31 Aug each year	**AER issues request to scheme financial vehicle[48]**
	AER will write to the scheme financial vehicle requesting information necessary to make a contribution determination and provide the template and this guideline. From this point, the scheme financial vehicle is responsible for contacting scheme entities and compiling all relevant data and supporting material and conducting quality assurance.
By 15 Oct each year	**Scheme entities that own input data submit data to the scheme financial vehicle***

46 OECC, *Electricity Infrastructure Fund (Part 7 of the EII Act 2020), Policy Paper*, September 2021, p. 19.

47 Issued pursuant to the AER's information power under s. 56(7) of the EII Act and Regulations.

48 As above.

Date	Milestone
	** Scheme entities must conduct their own quality assurance prior to submission to scheme financial vehicle.* ** Scheme entities must have sufficient number of names on the contact list including senior management and alert the scheme financial vehicle to any changes in staff contacts.* <u>Scheme financial vehicle</u> Provides 2-years leading[49], 1-year lagging data, as follows: • LTESA costs estimate for the current financial year (e.g., as at mid-October 2023, this would cover FY 23−24). • Placeholder forecast LTESA costs for the subsequent two financial years (e.g., as at mid-October 2023, this would cover FY 24−25 and FY 25−26). Provides actuals data, as follows: • Actual LTESA costs for the previous financial year (e.g., as at mid-October 2023, this would cover FY 22−23). <u>Payments to network operators</u> The infrastructure planner provides 2-years leading[50], 1-year lagging data, as follows: • REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects costs estimate for the current financial year (e.g., as at mid-October 2023, this would cover FY 23−24) • Forecast REZ network infrastructure costs for REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects for the subsequent two financial years (e.g., as at mid-October, this would cover FY 24−25 and FY 25−26). Provides actuals data, as follows: • Actual costs data in relation to REZ Network Infrastructure Projects and Priority Transmission Infrastructure Projects costs for the previous financial year (e.g., as at mid-October 2023, this would cover FY 22−23). <u>Administration costs</u> Scheme entities provide 2-years leading[51], 1-year lagging data, as follows: • Administration costs estimate for the current financial year (e.g., as at September 2023, this would cover FY 23−24). • Forecast administration costs for the subsequent two financial years (e.g., as at September 2023, this would cover FY 24−25 and FY 25−26). Provides actuals data, as follows: • Actual costs data in relation to administration costs for the previous financial year (e.g., as at mid-October 2023, this would cover FY 22−23). The scheme entities that will recover administration costs are the consumer trustee, financial trustee, infrastructure planner and regulators (AER and IPART).

[49] Scheme entities may wish to provide forecasts for outer years in addition to the 2 leading years, but this is not required.

[50] As above.

[51] As above.

Date	Milestone
By 30 Nov each year	**Scheme financial vehicle completes compilation of template and supporting material**
	The scheme financial vehicle must conduct a review of all data and supporting information supplied by scheme entities to check it for accuracy. Scheme financial vehicle inputs financial parameters into the template, including its cash flowing modelling and relevant loan amount.[52] The scheme financial vehicle also collates all supporting information.
By 20 Jan each year	**Scheme financial vehicle submits to AER the completed template with final data points**
	At this stage, the below two sets of data will remain outstanding. LTESA forecast The scheme financial vehicle inputs into the template the final forecast data for the subsequent two years i.e., the finalised 2-years leading data. This final forecast data updates the placeholder forecast data input in October. Energy data NSW DNSPs provide the scheme financial vehicle with volumetric energy delivered, peak demand and exemptions data, after being confidentially informed of the National Meter Identifiers eligible for exemption by the OECC.[53] The volumetric energy delivered and peak demand data should match the data NSW DNSPs submit to the AER through the Regulatory Information Notice (RINs) process – this data is discussed further at section 4.5 below. The relevant reporting year for the purposes of this volumetric data will be the previous financial year i.e., as at January 2024, the relevant year will be FY 22−23. Once these two sets of outstanding data are input, the scheme financial vehicle submits the completed template to the AER. The scheme financial vehicle must submit to the AER both a confidential version and a version with confidential data redacted that is able to be published.
1 Dec – 31 Jan each year	**AER conducts compliance checks**
	AER checks data and supporting information and obtains any corrections or updates required through the scheme financial vehicle.
By 28 Feb	**AER gazettes contribution determination**
	AER publishes the gazetted contribution determination.

[52] We understand that the Scheme Financial Vehicle intends to obtain an $80m loan from the NSW Government to support the Fund's liquidity in the early years of the scheme, to be paid out over 8 years.

[53] Reflecting the process for exemptions data developed by the OECC and outlined in its policy paper: OECC, *Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process*.

2.3 Initiating contribution determination process

To initiate the contribution determination process each year we will write to the scheme financial vehicle:[54]

- Requesting that it complete the template, including consulting with scheme entities to input relevant data consistent with the EII Act, Regulations and this guideline.
- To obtain all relevant supporting material from scheme entities to support data inputs as detailed in this guideline.
- To compile all data and supporting material and conduct quality assurance.
- To submit the completed template and package of supporting material under cover letter outlining the quality assurance processes undertaken.
- To submit both a confidential version of the completed template and a non-confidential redacted version that can be published.

2.3.1 Data inputs and supporting information

Table 3 sets out specific data inputs and corresponding supporting information required from each scheme entity.

Please note that the independent audit requirement applies only to 'actuals' data points i.e., data in relation to the *t-2* year. For example, as at October 2022, 'actuals' data would be all data relating to the 2021−22 financial year.

If the requirements of Table 3 are not met, the data may not be able to be accepted by us as regulator. If the audit requirement in relation to actuals data is not met, our confidence in forecast data will be reduced and may result in a more stringent review.

Table 3: Data inputs and supporting information requirements

Scheme entity	Data input	Supporting information
All scheme entities	For all data points in the template	• A basis of preparation document – the requirements in relation to this document are set out in section 2.3.2.
All scheme entities	All 'actuals' data points i.e., data in relation to the t-2 year.	• All 'actuals' costs data must be independently audited – the requirements in relation to independent audits are set out in section 2.3.3. • A copy of the audit opinion report must be provided as supporting information – see section 2.3.3.
Scheme financial vehicle	The minimum prudent cash balance for the Fund under s. 56(3)(a)	<u>Minimum prudent cash balance</u> • A summary of the methodology to calculate a minimum prudent cash balance for the Fund, including relevant assumptions. • A statement by the Chair of the scheme financial vehicle's Board that:

[54] Pursuant to the AER's information powers under s. 56(7) EII Act and the EII Regulation 2022.

Scheme entity	Data input	Supporting information
		○ the minimum prudent cash balance methodology has been approved by the scheme financial vehicle's Board. ○ the methodology complies with relevant subsidiary policies and the risk management framework under section 51 of the EII Act. ○ scheme financial vehicle staff have reviewed data supplied by scheme entities against supporting information for accuracy and found no errors.
	Costs in relation to long-term energy service agreements (LTESAs) under Part 6 of the EII Act	<u>LTESA costs</u> • A summary of the methodology used to calculate LTESA costs, including the relevant assumptions.[55] • A statement by the Chair of the scheme financial vehicle that: ○ the methodology has been approved by the scheme financial vehicle's Board. ○ the methodology complies with the relevant subsidiary policies and risk management framework under section 51 of the EII Act.
Infrastructure planner	Payments to network operators under Part 5 of the EII Act[56]	• Depending on the source of the network costs actual or forecast data in line with section 4.2.1 below[57], either: ○ where the infrastructure planner has generated network costs forecasts, i.e., the forecast data for the two leading years, a summary of the methodology used to calculate network costs forecasts, including relevant assumptions. ○ a cross-reference to any relevant revenue proposal or adjustment submitted to the AER. ○ a cross-reference to any relevant AER revenue determination. • A statement from the infrastructure planner's Chief Executive Officer that it has approved the infrastructure planner's data inputs and, if applicable, its forecast methodology.
	Administration costs	• As the infrastructure planner is not covered under section 55(b), EII Act, its supporting requirements regarding administrative costs differ from those for other scheme entities. It must provide: ○ A cross-reference to the relevant ministerial access scheme declaration that creates a liability to be paid from the Fund under section 55(a)) of the EII Act.

[55] Probabilistic assumptions about the distribution of long-term energy service agreement costs, AEMO scenario for wholesale prices, etc. A dashboard summary will be provided to ensure transparency of modelling assumptions.

[56] Both a REZ Network Infrastructure Project or Priority Transmission Infrastructure Project as defined under the EII Act or Regulations.

[57] Table 5 in section 4.2 sets out requirements in relation to the sourcing of network costs data.

Scheme entity	Data input	Supporting information

		• Recovery of any other costs will be subject to the infrastructure planner providing evidence to substantiate a legal basis for the cost recovery e.g., a ministerial approval under section 66(4)) of the EII Act.
		• A statement from the infrastructure planner's Chief Executive Officer that:
		  ○ it has approved the infrastructure planner's costs data.
		  ○ there are no alternative avenues to recover the costs or potential for double counting.
		  ○ the cost recovery complies with any relevant governmental guidelines e.g., with Australian Government Cost Recovery Guidelines (RMG 304).[58]
		• Copies of the relevant invoices.

AER
Consumer Trustee
Financial Trustee
IPART
	Administration costs of scheme entities	• A statement by each entity's Chief Executive that:
		  ○ they have approved the administration costs input to the template.
		  ○ the cost recovery complies with any relevant governmental guidelines e.g., with Australian Government Cost Recovery Guidelines (RMG 304).[59]
		• Copies of the entity's invoices for administrative costs submitted to the scheme financial vehicle.

NSW DNSPs	Energy data[60]	• In relation to the volumetric data on energy delivered, peak demand and exemptions (the data described in sections 4.5 and 4.6 below), a statement from the DNSP's relevant executive that the exempt volumetric and exempt peak demand data is correct.

2.3.2 Basis of preparation document

The basis of preparation document required in Table 3 must:

a. demonstrate how the information provided is consistent with the requirements of this guideline.

b. explain the source of the information.

c. explain the methodology applied, including any assumptions made and the reasonableness of those assumptions.

[58] These Guidelines apply to Commonwealth entities only.

[59] As above.

[60] Note that the independent audit requirement in relation to actuals data described in section 2.3.3. does not apply to this energy data, as it is not financial data (i.e., it is not data measured in dollars).

d. explain, in relation to forecast data, the basis for the forecast estimate, including the approach used, assumptions made and reasons why the estimate is the data owner's best estimate.

e. explain the data owner's quality assurance processes.

2.3.3 Independent audit requirement in relation to actuals data

As set out in Table 3, all actuals data (i.e., historical data in relation to the *t-2* year) must be independently audited.

The audit must be conducted in compliance with Australian Auditing and Assurance Standards.

The audit must produce an audit opinion report as to whether the actuals data provided is presented accurately in accordance with the requirements of our information request and the relevant basis of preparation document.

The audit must be carried out by a person who:

a. is a registered company auditor who is a member of the Institute of Chartered Accountants Australia or of CPA Australia that holds a Certificate of Public Practice.

b. is independent from the data owner and all its related bodies corporate – that is, not a principal, member, shareholder, officer, or employee of the data owner or its related entities.

c. has experience in conducting financial, performance, operation or quality assurance audits and conducting data sampling in the electricity industry.

d. possesses relevant knowledge and experience in the electricity industry, engineering, IT systems, asset management and customer service as relevant to the audit or review.

e. understands regulatory accounting methods.

f. understands the definitions, procedures and methodologies specified in the EII Act and Regulations and this guideline that have been used in the preparation of the data the subject of the audit or review; and

g. is available to discuss issues relating to the audits with us, including where an audit opinion report or review conclusion statement is critical of, or highlights deficiencies in, the audited financial information and/or supporting information.

2.3.4 Quality assurance processes

We expect that each scheme entity will support the scheme financial vehicle by checking the accuracy of its data inputs and supporting material before providing it to the scheme financial vehicle.

The scheme financial vehicle will conduct a quality assurance of the completed template against the package of supporting material and relevant assurances.

In essence, this places the onus on each scheme entity to be responsible for the veracity, auditability and transparency of its inputs and supporting material. We consider that this approach, consistent with our approach to annual pricing under the NER,[61] increases the likelihood of the contribution determination amount that the scheme financial vehicle submits is capable of being approved.

[61] AER, *Annual pricing review process, Final position paper - first stage*, December 2021.

Once we receive the contribution determination template and supporting information from the scheme financial vehicle, we will review the material for accuracy and compliance with the EII Act, Regulations and this guideline.

We consider this 'rolling' quality assurance process will limit errors and hence, the need for us to request the scheme financial vehicle to resubmit the template or additional supporting material. For each version of the template resubmitted, we must perform a compliance check. Further engagement processes are time consuming and puts at risk our ability to make our contribution determination within the legislative timeframe set under the EII Act.

2.4 Quarterly contribution orders

After we gazette our contribution determination, each financial year the scheme financial vehicle may issue to each NSW DNSP four contribution orders.[62] Each contribution order contains the amount each NSW DNSP is to pay to the scheme financial vehicle so it may recover Roadmap costs.

The contribution period and schedule of payments, shown in Table 4 are set out in the EII Regulations. Should the scheme financial vehicle issue contribution orders, payments from NSW DNSPs continue on the same quarterly cycle.

Table 4: Schedule of DNSP contributions into the Fund

Contribution period	Quarterly payment schedule[63]
1 July – 30 September	1 November
1 October – 31 December	1 February
1 January – 31 March	1 May
1 April – 30 June	1 August

Source: OECC, *Electricity Infrastructure Roadmap, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process*, May 2022, p. 16.

Note: Quarterly payment schedule is set out in the clause of the Regulations entitled 'Payment of contribution by distribution network service provider'.

2.5 Additional process matters

2.5.1 Handling of errors

Any errors, deviations of actuals from estimates, or changes to forecasts that occur after a contribution determination has been gazetted will be dealt with under the subsequent contribution determination through the relevant true-up mechanism.

62 EII Act, s. 58(1).

63 Where any of these falls on a weekend or public holiday, the applicable day is the next business day.

2.5.2 Consultation with the financial trustee

In making the contribution determination each year, we will conduct appropriate consultations. This includes consulting with the financial trustee as required under s. 56(6) of the EII Act.[64] Specifically, we will consult with the financial trustee before gazetting our contribution determination and provide feedback on the process to create a culture of continuous improvement.

[64] We will engage with the financial trustee about the process for this consultation once a financial trustee has been appointed. At the time of writing, the Financial Trustee has not yet been appointed. If no Financial Trustee is appointed in time for our February 2023 determination, we will undertake alternative consultations as appropriate.

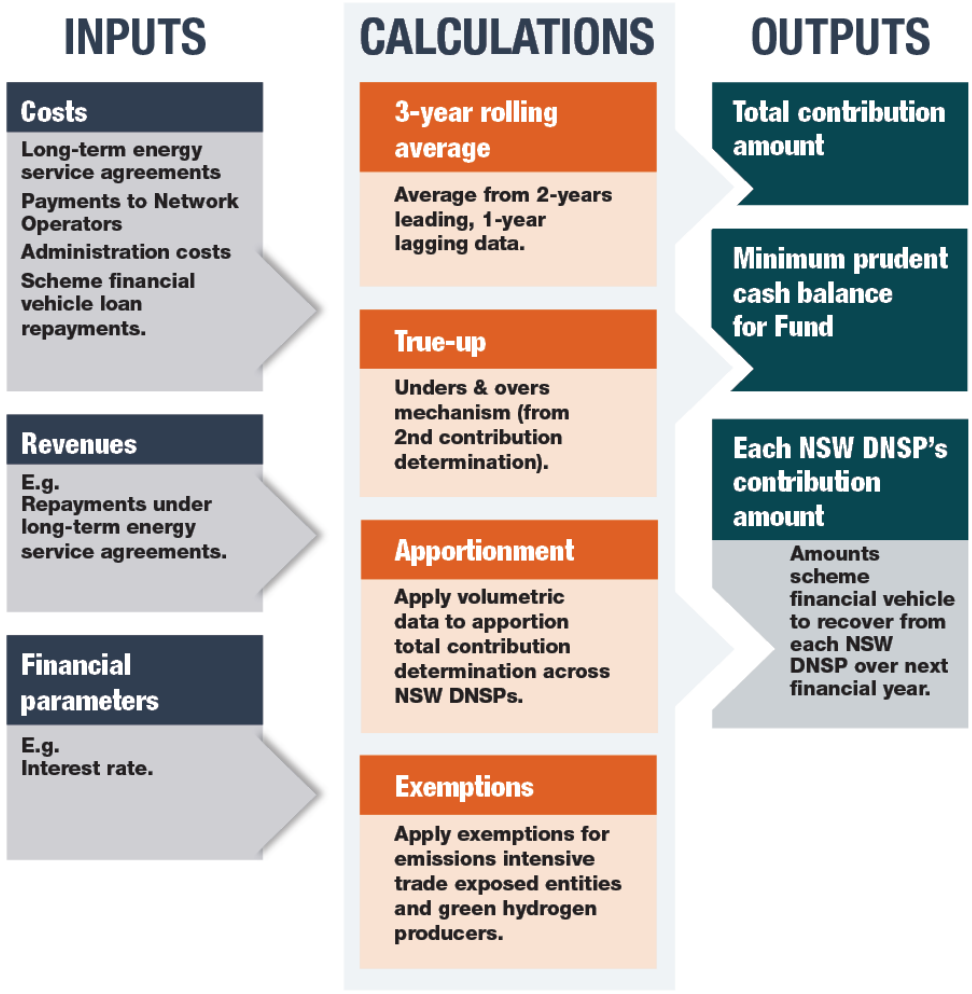
3 Overview of contribution determination method

This chapter sets out the contribution determination method that will apply to all scheme entities in preparing, and us as the regulator, in making an annual contribution determination.

It consists of screen shots of each template worksheet and an explanation of the purpose and method behind each worksheet.

As stated in chapter 2, in the first instance each scheme entity is responsible for assuring the quality of its data and supporting material, before the scheme financial vehicle conducts a further assurance process.

Figure 2: Overview of contribution determination method



Source: AER

The contribution determination method (for both the transitional and subsequent years) consists of two stages:

- The first stage calculates the total contribution determination amount for the Fund.
- The second stage apportions the contribution amount for the Fund across the three NSW DNSPs.

Stage 1

The calculation of the contribution determination for the Fund first combines the inputs of forecast revenues and costs to calculate forecast annual net expenses for the scheme financial vehicle. This includes an allowance for the Fund's minimum prudent cash balance to ensure the scheme financial vehicle's solvency during the year.[65]

Specifically, to set the contribution determination amount for the upcoming year *t*, the process during the current year *t-1* relies on the following data from each scheme entity:

- the estimate of the current (year *t-1*) net expenditures
- the forecast net expenditure for the upcoming year *t* (the year for which the contribution determination is made), and
- the forecast net expenditure for the forecast year *t+1*.

Using the three-year rolling average of net expenditures above, we make two adjustments:

- An adjustment to maintain the minimum prudent cash balance of the Fund under the forecast volatility of long-term energy service agreement costs and network infrastructure costs, as input by the scheme financial vehicle (and informed by data from the consumer trustee and infrastructure planner respectively), and
- A true-up to reflect any revisions to the costs/revenues data used to underpin previous contribution determinations.
    - The true-up is implemented as an unders and overs mechanism, combining the historical revenue collected, forecast revisions and interest rates applied with the three-year rolling average.

Stage 2

After calculating the total contribution determination, we must apportion the total between the three NSW DNSPs. The apportionment method assigns expenditure to either a "volumetric energy" or "peak demand" category.[66] The annual long-term energy service agreement costs are assigned to the "volumetric energy" category, while the remaining costs (residual costs) are assigned to "peak demand."

The costs are then allocated between the NSW DNSPs based on their proportion of the combined total of "volumetric energy" and "peak demand" across all three NSW DNSPs, after applying exemption rates for exempt entities and green hydrogen producers.

This apportionment method allows us to calculate a total contribution amount for each NSW DNSP, which will be listed in our gazettal notice.[67]

The Regulations require us to provide each DNSP with the percentage of their costs allocation that can be attributed to the volumetric energy category. This data point will allow NSW DNSPs to undertake the calculations necessary to implement exemption rebates for emissions intensive trade exposed entities and producers of green hydrogen.

65 EII Act, s. 56(1).

66 Regulations, the clause entitled 'Contribution determination—matters to be taken into account' includes definitions of peak demand and volumetric energy delivery.

67 EII Act, s. 56(3)(b).

Stakeholders should refer to the OECC's policy paper[68] for details on the objectives and operation of its exemption framework. The OECC's exemption framework largely sits outside of the contribution determination process apart from the apportionment process outlined above.

[68] OECC, *Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process*, May 2022.

4 Inputs

This chapter explains the necessary cost and revenue inputs from each scheme entity to calculate forecast annual net expenses of the Roadmap scheme.

Each scheme entity must provide its input data to the scheme financial vehicle, using the input templates provided to each scheme entity. The scheme financial vehicle, following Tables 1 and 2 above, must collate this data into the template and check it against the supporting information provided, as outlined in Table 3.

4.1 General

The template includes a title page, general page, input pages, calculation pages and a lookups page. It also includes a tool to enable confidential data to be easily redacted. The title page includes an inputs key, version log, contents list, and change log.

Figure 3: Extract of template key

Description Table 1 | Keys

Key:

	Annual SFV input
	Calculation
	N/A

The general worksheet includes inputs for the current contribution determination year and specifies the relevant year for apportionment purposes.

Figure 4: Extract of general inputs table

Input table 1 | General inputs

Inputs	***Source***	**Value**	***Notes***
Year ending	*AER*	June	
Forecast Contribution Determination regulatory year (t)	*SFV*	2023–24	
Energy forecasting year for Apportioning	*Calculated*	2021–22	Fixed at t-2
Contribution Determination period, first year	*Calculated*	2023–24	Fixed at 2023-24
Next Contribution Determination regulatory year (t+1)	*Calculated*	2024–25	
Second next Contribution Determination regulatory year (t+2)	*Calculated*	2025–26	
Current regulatory control period, last year	*Calculated*	2031–32	
Days per year	*Calculated*	366	
Start Date	*Calculated*	1/07/2023	
End Date	*Calculated*	30/06/2024	
Unit for inputs and revenues	*AER*	$millions	0.000001
Unit for output tables (from revenues)	*AER*	$millions	1
Unit for consumption totals and outputs	*AER*	GWh	0.000001

Note that the reporting year for the purposes of the volumetric energy, peak demand and exemptions data needed to support the apportionment and implementation of exemptions will be fixed as the *t-2* year.

The lookups worksheet contains lookups for use throughout the template, including unit denominations and month and year references.

4.2 Costs

The purpose of the expenditure table (‘Financial’ in the worksheet) is to capture scheme entities’ administrative expenses, long-term energy service agreements and/or risk management expenses, payments to network operators and the scheme financial vehicle’s loan costs.

Figure 5: Extract of expenditure worksheet

Input table 5 | Expenditure	Source	Unit	Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)
LTES Expenditure (SFV)				
LTESA - Generation (SFV)	SFV	$millions	No	No
LTESA - LDS & Firming (SFV)	SFV	$millions	No	No
Risk management contracts (SFV)	SFV	$millions	No	No
Total LTES Expenditure	Calculation	$millions	No	No
Payments to Network Operators (NSW EnCo)				
Payments to Network Operators (NSW EnCo)	SFV	$millions	No	No
Total Payments to Network Operators	Calculation	$millions	No	No
Administration Expenditure				
Administration (AER)	SFV	$millions	No	No
Administration (Consumer Trustee)	SFV	$millions	No	No
Administration (Financial Trustee)	SFV	$millions	No	No
Administration (Financial Trustee - SFV)	SFV	$millions	No	No
Administration (IPART)	SFV	$millions	No	No
Administration (NSW Enco)	SFV	$millions	No	No
Total Administration Expenditure	Calculation	$millions	No	No
Other Costs				
Access scheme costs	SFV	$millions	No	No
Community Payments	SFV	$millions	No	No
Other Costs	SFV	$millions	No	No
Loan Facility Costs	Calculation	$millions	No	No
Total Other Costs	Calculation	$millions	No	No
Total Expenditure	Calculation	$millions	No	No

The main costs for the scheme financial vehicle are long-term energy service agreement costs, payments to network operators, administration expenses and loan repayments.

Long-term energy service agreements are option contracts to enter a derivative arrangement that provides successful energy projects with access to minimum cash flows for their energy service. The costs associated with these contracts include forecast derivative payments to long-term energy service operators. These forecasts involve modelling wholesale energy prices to specified confidence intervals by the consumer trustee and in accordance with its Treasury Policy (a subsidiary policy to the Risk Management Framework). The formal responsibility for inputting data about long-term energy services agreements into the template sits with the scheme financial vehicle.

Risk management contracts are costs incurred from contracts entered to manage the cumulative market, liquidity and counterparty risks of the long-term energy service agreements. These may include energy derivatives and insurance products.

Payments to network operators are costs associated with REZ Network Infrastructure Projects or Priority Transmission Infrastructure Projects, as defined under the EII Act.

Administration costs are costs incurred by the consumer trustee, financial trustee and regulators in exercising their functions under the EII Act.[69] The infrastructure planner may also recover administration costs through alternative pathways, such as on the basis of access scheme declarations or approval under section 66(4) of the EII Act.

Loan repayment costs are costs arising from the scheme financial vehicle's repayment of the initial grant, additional loans and related interest and financing costs.

Scheme entities provide their actual, revised estimate and forecast costs via the 'Financial' worksheet.

69 EII Act, s. 55(b).

Figure 6: Extract of minimum prudent cash balance table

Input table 7 | Minimum Prudent Balance	Source	Unit
Minimum Prudent Balance		
Adjustment to ensure MPB (notional)	*SFV*	*$millions*
Total Minimum Prudent Balance	*Calculation*	*$millions*

The scheme financial vehicle is also required to input an amount to maintain a minimum prudent cash balance to ensure solvency.

4.2.1 Costs in relation to payments to network operators

The data in relation to payments to network operators requires additional specification as to the source of each data point.

The source of data the infrastructure planner uses to submit this data should follow Table 5 below.

Note in particular that, where no revenue proposal or AER determination is available to cover the *t+1* year, the infrastructure planner is responsible for preparing forecast data. This forecast data must be substantiated by the supporting information outlined in Table 3 above.

Table 5: The source to be used for data on payments to network operators

Year	Actuals data	Adjusted determination revenue (from AER determination)	Determination revenue (from AER determination)	Revenue proposal (formally submitted to AER)	Forecast data
t-2	Yes				
t-1		Yes			
t			Yes		
t+1			If available, otherwise >>	If available, otherwise >>	Yes

4.3 Revenues

The template includes revenues tables in the 'Financial' worksheet. The purpose of this worksheet is to capture the revenue earned by the scheme financial vehicle through various income streams.

Figure 7: Extract of revenues table

Input table 4 | Revenues	Source	Unit	Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)
Contribution Determination Amount				
Contribution Determination Amount (historical)	SFV	$millions	No	No
Contribution Determination Revenue				
Collected Revenue from DNSP contributions (historical)	SFV	$millions	No	No
Other Revenue				
LTESA - Generation	SFV	$millions	No	No
LTESA - LDS & Firming	SFV	$millions	No	No
Risk management contracts	SFV	$millions	No	No
Other Revenue	SFV	$millions	No	No
Access fees	SFV	$millions	No	No
Interest on investment activities	SFV	$millions	No	No
Total Revenue (Excluding Contribution Determinations)	Calculation	$millions	No	No

The main sources of revenue for the scheme financial vehicle are contribution determinations, long-term energy service agreements and access scheme fees.

Long-term energy service agreement revenues include repayments that LTES operators make to the Fund as provided under the terms of long-term energy service agreements.

The revenues worksheet also includes a line to capture 'green rights'. This is based on our understanding that long-term energy service agreements will be designed such that, during exercise periods, the scheme financial vehicle will be entitled to revenues from existing or new markets, including applicable green rights (i.e., large-scale generation certificates) and other economic rights conferred on the project by regulation for its capacity or generation.[70]

Scheme entities provide their actual, revised estimate and forecast revenues via the 'Financial' worksheet.

4.4 Compliance worksheet

'Compliance' worksheet is included in the template to allow for reporting of contribution determination amounts.

4.5 Energy Data

The volumetric data to be entered in the 'Energy' worksheet are volumetric energy and peak demand data supplied by the NSW DNSPs. This is the same data as the NSW DNSPs provide to us through the Regulatory Information Notice (RINs) process.

The RIN item 'Total energy delivered DOPED01' is used for volumetric energy and 'DOPSD0201 Non–coincident Summated Raw System Annual Maximum Demand' for peak demand. We require this data to apportion the contribution determination across the three NSW DNSPs and apply exemptions.

[70] OECC, *Electricity Infrastructure Roadmap, Long-Term Energy Service Agreement Design (Consultation paper)*, August 2021, p. 2.

Figure 8: Extracts of volumetric data tables

Input table 8 | Annual Volumetric Energy Delivery - DOPED01	Source	Unit
DNSP		
Ausgrid	*SFV*	*GWh*
Endeavour Energy	*SFV*	*GWh*
Essential Energy	*SFV*	*GWh*
Total Volumetric Energy Delivery	*Calculation*	*GWh*

Input table 9 | Annual Peak Demand - DOPSD0201	Source	Unit
DNSP		
Ausgrid	*SFV*	*MVA*
Endeavour Energy	*SFV*	*MVA*
Essential Energy	*SFV*	*MVA*
Total Peak Demand Delivery	*Calculation*	*MVA*

4.6 Exemptions

The ‘Exemptions’ worksheet allows for the input of volumetric energy and peak demand data to support the implementation of exemptions rebates for emissions intensive trade exposed entities and green hydrogen producers.

The exemptions data will be sourced from NSW DNSPs, which will input this data after being informed of the eligible national meter identifiers by the OECC.

Figure 9: Extracts of exemptions data tables

Input table 11 | EITE Volume Energy Exemptions	Source	Unit
DNSP		
Ausgrid	*SFV*	*GWh*
Endeavour Energy	*SFV*	*GWh*
Essential Energy	*SFV*	*GWh*

Input table 14 | Green Hydrogen Volumetric Energy Exemptions		Source	Unit
DNSP	**Year of Commission**		
Ausgrid	2022	*SFV*	*GWh*
Ausgrid	2023	*SFV*	*GWh*
Ausgrid	2024	*SFV*	*GWh*
Ausgrid	2025	*SFV*	*GWh*
Ausgrid	2026	*SFV*	*GWh*
Ausgrid	2027	*SFV*	*GWh*
Ausgrid	2028	*SFV*	*GWh*
Ausgrid	2029	*SFV*	*GWh*
Ausgrid	2030	*SFV*	*GWh*
Endeavour Energy	2022	*SFV*	*GWh*
Endeavour Energy	2023	*SFV*	*GWh*
Endeavour Energy	2024	*SFV*	*GWh*
Endeavour Energy	2025	*SFV*	*GWh*
Endeavour Energy	2026	*SFV*	*GWh*
Endeavour Energy	2027	*SFV*	*GWh*
Endeavour Energy	2028	*SFV*	*GWh*
Endeavour Energy	2029	*SFV*	*GWh*
Endeavour Energy	2030	*SFV*	*GWh*
Essential Energy	2022	*SFV*	*GWh*
Essential Energy	2023	*SFV*	*GWh*
Essential Energy	2024	*SFV*	*GWh*
Essential Energy	2025	*SFV*	*GWh*
Essential Energy	2026	*SFV*	*GWh*
Essential Energy	2027	*SFV*	*GWh*
Essential Energy	2028	*SFV*	*GWh*
Essential Energy	2029	*SFV*	*GWh*
Essential Energy	2030	*SFV*	*GWh*

Input table 15 | Green Hydrogen Peak Demand Exemptions	DNSP	Source	Unit
DNSP	**Year of Commission**		
Ausgrid	2022	*SFV*	*MVA*
Ausgrid	2023	*SFV*	*MVA*
Ausgrid	2024	*SFV*	*MVA*
Ausgrid	2025	*SFV*	*MVA*
Ausgrid	2026	*SFV*	*MVA*
Ausgrid	2027	*SFV*	*MVA*
Ausgrid	2028	*SFV*	*MVA*
Ausgrid	2029	*SFV*	*MVA*
Ausgrid	2030	*SFV*	*MVA*
Endeavour Energy	2022	*SFV*	*MVA*
Endeavour Energy	2023	*SFV*	*MVA*
Endeavour Energy	2024	*SFV*	*MVA*
Endeavour Energy	2025	*SFV*	*MVA*
Endeavour Energy	2026	*SFV*	*MVA*
Endeavour Energy	2027	*SFV*	*MVA*
Endeavour Energy	2028	*SFV*	*MVA*
Endeavour Energy	2029	*SFV*	*MVA*
Endeavour Energy	2030	*SFV*	*MVA*
Essential Energy	2022	*SFV*	*MVA*
Essential Energy	2023	*SFV*	*MVA*
Essential Energy	2024	*SFV*	*MVA*
Essential Energy	2025	*SFV*	*MVA*
Essential Energy	2026	*SFV*	*MVA*
Essential Energy	2027	*SFV*	*MVA*
Essential Energy	2028	*SFV*	*MVA*
Essential Energy	2029	*SFV*	*MVA*
Essential Energy	2030	*SFV*	*MVA*

The OECC considered that its policy intent to provide cost exemptions for emissions intensive trade exposed entities and green hydrogen producers is consistent with the objects of the EII Act to support economic development and manufacturing.[71]

The OECC's policy position is that emissions intensive trade exposed entities will be exempt from 90 per cent of Roadmap costs attributed to generation costs only i.e., the costs assigned to the "volumetric energy" category.[72] These entities will still have to pay for the residual costs (i.e., the "peak demand" category) component of Roadmap costs.

Green hydrogen producers will receive an exemption from all components of the Roadmap costs. However, the rate of exemption will depend on the year a facility is commissioned, and production commences.[73]

For facilities commencing production up to and including 2028, the exemption rate is 90 per cent. The OECC considered that as the green hydrogen industry is in its infancy, this level of exemption is appropriate for the industry's early-stage viability.[74]

For facilities commencing production in 2029 or 2030, the level of exemption reduces to 60 per cent and 30 per cent respectively.

For facilities built after 2030, no exemption will apply.

Exemption rates will apply for 10 years.

4.7 Financial parameters

The financial parameters for the contribution determination include interest rate, repayable grant and loan facility costs. They are supplied in the 'Financial' worksheet.

Figure 10: Extract of financial parameters table

Input table 3 | Financial information	Source	Unit	Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)
Economic Variables				
Contribution Determination Interest Rate	SFV	Per cent	No	No
Initial Grant				
Repayable Grant	SFV	$millions	No	No
Loan Facility Costs	SFV	$millions	No	No

The contribution determination interest rate is the rate applied to any under or over-recoveries to account for the time value of money.

71 OECC, *Electricity Infrastructure Roadmap, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020),* p. 28.

72 OECC, *Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020) - Exemption Administration Process,* May 2022, p. 6.

73 As above.

74 As above.

5 Calculations

The calculations worksheets provide the calculations that underlie the outputs worksheets. These include calculations of allowable, forecast, and estimated revenues and the amounts for the unders and overs accounts.

5.1 Collate costs/revenues

The collation of costs and revenues are calculated in the worksheet 'Contribution Det Itemised', where the revenues and net expenditure are calculated and summarised.

Figure 11: Extract of revenues and expenditure summary table

Calculation table 3 | Revenues & Expenditure Summary	*Source*	*Unit*
Target Costs Summary		
Revised Revenue	*Calculation*	*$millions*
Revised Expenditure	*Calculation*	*$millions*
Revised Net Costs	*Calculation*	*$millions*
Revised Target Costs (Moving Average)	*Calculation*	*$millions*
Revised Collected Revenues & Contribution Determination	*Calculation*	*$millions*

5.2 3-year rolling average

The 3-year rolling average (Revised Target Costs) is calculated from net expenses derived by collating costs and revenues. The period for a current contribution determination applies 2-years leading and 1-year lagging. The worksheet 'Contribution Det Itemised' calculates the 3-year rolling average. The 3-year rolling average reflects an OECC policy position.[75]

The benefits of applying a 3-year rolling average include smoothing bill volatility for NSW electricity consumers arising from volatility in wholesale market costs, providing the scheme financial vehicle liquidity by "frontloading" liquidity from later periods**,** and matching costs to benefits.

5.3 Apply true-up from second year onwards

The true-up mechanism using the unders and overs calculation applies from the second year onwards (i.e., February 2024 contribution determination). This mechanism means that the true-up fully passes through the difference between estimated and actual costs, as well as differences between revised forecasts. This mechanism allows the scheme financial vehicle to fully recover its costs.

If the total net costs were below what was provided for in a contribution determination, the over-recovered revenue would be returned to NSW electricity consumers (through the NSW DNSPs) via this unders and overs mechanism in the next determination year.

The calculations for the true-up and contribution determination are in the worksheet 'Contribution Det Under & Over'.

[75] OECC, *Electricity Infrastructure Roadmap, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020),* p. 19.

Figure 12: Extract of true-up mechanism table

Calculation table 1 | Contribution Determination Unders & Overs	Source	Unit
Contribution Determinations Unders & Overs		
Revised Target Costs	Calculation	$millions
Balancing adjustment made when year was 't'	Calculation	$millions
Minimum Prudent Balance Adjustment	Calculation	$millions
Adjustment for first two years	Calculation	$millions
Target Allowed Costs (AER Contribution Determination)	Calculation	$millions
Revenue collected from DNSP contributions & forecast collections	'Financial'!	$millions
Net under/over-recovery of revenue (excluding MPB)	Calculation	$millions
Net under/over-recovery of revenue	Calculation	$millions
Interest Rate applicable to Balance	'Financial'!	$millions
Contribution Determination - Opening Balance (excluding MPB)	Calculation	$millions
Interest on Opening balance	Calculation	$millions
Miscellaneous adjustments	Calculation	$millions
Total under/over-recovery of revenue (inc. balancing adjustment)	Calculation	$millions
Interest on under/over-recovery for regulatory year	Calculation	$millions
Contribution Determination - Closing Balance (excluding MPB)	Calculation	$millions

The unders and overs calculation is determined by first calculating the net under/over recovery of revenue for the previous (t-2) and current (t-1) years, which is the difference between the revised target costs (moving 3-year rolling average for all years) and revenue collected from NSW DNSP contributions and forecast collections**,** after adjustments and deliberate under-recoveries.

These under/over recoveries are applied to the unders and overs account in the relevant years and are subject to a half-year interest adjustment to bring to the closing balance. This closing balance is carried forward to the subsequent year, and a whole year of interest applied to these amounts each year.

Through this process the true-up is the balancing adjustment to the current contribution determination year. This adjustment ensures the contribution determination closing balance for the year is equal to zero.

After the contribution determination is calculated, the contribution determination amount is split into the "volumetric energy" component and the "peak demand" component. The volumetric energy component is the annual long-term energy service agreement cost, while the remainder is allocated to "peak demand".

Figure 13: Extract of contribution determination components table

Calculation table 4 | Contribution Determination Components	Source	Unit
Contribution Determination Components		
Volumetric Energy Component (inc. True-Up)	Calculation	$millions
Peak Demand Component (inc. True-Up)	Calculation	$millions
Total Expenditure	Calculation	$millions
Volumetric Energy Component Percent	Calculation	Per cent
Peak Demand Component Percent	Calculation	Per cent
Value of Contribution Determination (Revised)	Calculation	$millions
Volumetric Energy Component Contribution Determination	Calculation	$millions
Peak Demand Component Contribution Determination	Calculation	$millions

5.4 Apportionment across NSW DNSPs

Apportionment of contribution determination cost components to NSW DNSPs is calculated in the worksheet 'Apportion to DNSP'.

The volumetric energy component of the contribution determination amount is allocated between the NSW DNSPs using each DNSP's share of annual volumetric energy delivered. Annual volumetric energy delivered uses RIN data after applying exemption rates[76] for emissions intensive

[76] Exemption percentage of the component payment by each customer will be included in Regulations once drafted.

trade exposed entities and green hydrogen producers. The volumetric energy delivered is based on the latest RIN data from the item ‘Annual Volumetric Energy Delivered − DOPED01’ measured in gigawatt hours.

Similarly, this allocation process is applied to the “peak demand” component using each NSW DNSP’s share of annual peak demand after applying exemption rates. The demand measure is based on the latest RIN data from the item ‘Annual Peak Demand - DOPSD0201 (non-coincident)’.

Figure 14: Extract of volumetric energy by DNSP table

Calculation table 8.1 | DNSP Volumetric Energy Delivered	*Source*	*Unit*
Volumetric Energy Delivered		
DNSP	***Source***	**Unit**
Ausgrid	*'Energy'!*	*GWh*
Endeavour Energy	*'Energy'!*	*GWh*
Essential Energy	*'Energy'!*	*GWh*
Total Volumetric Energy	*'Energy'!*	*GWh*

The minimum prudent cash balance adjustment amount is split between volumetric energy and peak demand components in the same proportion as net costs. The combined contribution determination amount (i.e., the sum of net costs and the minimum prudent balance adjustment) is then apportioned to DNSPs using their share in total volumetric energy or peak demand, net of applicable exemptions.

5.5 Apply exemptions

The application of exemptions to the apportionment across the NSW DNSPs involves us applying the emissions intensive trade exposed entities and green hydrogen exemptions to the volumetric component. Although there are currently no exemptions for the “peak demand” component, the functionality has been built into the template.

The total volumetric energy exempted for each entity is its annual volumetric energy consumption multiplied by the exemption rate. The total energy exempted for each NSW DNSP is the sum of all energy consumption exempted for all entities under each NSW DNSP.

Figure 15: Extract of volumetric energy apportionment tables

Calculation table 8.2 | DNSP EITE Volumetric Energy Exemptions	*Source*	*Unit*	
EITE Exemption Rates			***Value***
Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*	*90%*
EITE Volumetric Energy Exemptions (Reporting Year)			
DNSP	***Source***	**Unit**	
Ausgrid	*'Exemptions'!*	*GWh*	
Endeavour Energy	*'Exemptions'!*	*GWh*	
Essential Energy	*'Exemptions'!*	*GWh*	
Total EITE Volumetric Energy Exemptions	*'Exemptions'!*	*GWh*	
Total Volumetric Energy Exempted by EITE (Application Year)			
DNSP	***Source***	**Unit**	
Ausgrid	*'Exemptions'!*	*GWh*	
Endeavour Energy	*'Exemptions'!*	*GWh*	
Essential Energy	*'Exemptions'!*	*GWh*	
Total Volumetric Energy Exempted by EITE	*'Exemptions'!*	*GWh*	

Calculation table 8.3 | DNSP Green Hydrogen Volumetric Energy Exemptions	*Source*	*Unit*

Year of Commissioning		*Source*	*Unit*
2028 or earlier	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*
2029	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*
2030	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*
2031 onwards	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*

Green Hydrogen Volumetric Energy Exemptions

DNSP		*Source*	Unit
Ausgrid	2028 or earlier	*Calculation*	*GWh*
Ausgrid	2029	*Calculation*	*GWh*
Ausgrid	2030	*Calculation*	*GWh*
Ausgrid	2031 onwards	*Calculation*	*GWh*
Endeavour Energy	2028 or earlier	*Calculation*	*GWh*
Endeavour Energy	2029	*Calculation*	*GWh*
Endeavour Energy	2030	*Calculation*	*GWh*
Endeavour Energy	2031 onwards	*Calculation*	*GWh*
Essential Energy	2028 or earlier	*Calculation*	*GWh*
Essential Energy	2029	*Calculation*	*GWh*
Essential Energy	2030	*Calculation*	*GWh*
Essential Energy	2031 onwards	*Calculation*	*GWh*
Total Green Hydrogen Volumetric Energy Exemptions		*Calculation*	*GWh*

Total Volumetric Energy Exemptions by Green Hydrogen

DNSP	*Source*	Unit
Ausgrid	*'Exemptions'!*	*GWh*
Endeavour Energy	*'Exemptions'!*	*GWh*
Essential Energy	*'Exemptions'!*	*GWh*
Total Volumetric Energy Exempted by Green Hydrogen	*'Exemptions'!*	*GWh*

Total Volumetric Energy Exempted by Green Hydrogen

DNSP	*Source*	Unit
Ausgrid	*'Exemptions'!*	*GWh*
Endeavour Energy	*'Exemptions'!*	*GWh*
Essential Energy	*'Exemptions'!*	*GWh*
Total Volumetric Energy Exempted by Green Hydrogen	*'Exemptions'!*	*GWh*

Calculation table 9.2 | DNSP Green Hydrogen Peak Demand Exemptions	*Source*	*Unit*

Year of Commissioning		*Source*	*Unit*
2028 or earlier	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*
2029	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*
2030	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*
2031 onwards	Percent of volumetric energy exempted	*'Exemptions'!*	*Per cent*

Green Hydrogen Peak Demand Exemptions

DNSP		*Source*	Unit
Ausgrid	2028 or earlier	*'Exemptions'!*	*MVA*
Ausgrid	2029	*'Exemptions'!*	*MVA*
Ausgrid	2030	*'Exemptions'!*	*MVA*
Ausgrid	2031 onwards	*'Exemptions'!*	*MVA*
Endeavour Energy	2028 or earlier	*'Exemptions'!*	*MVA*
Endeavour Energy	2029	*'Exemptions'!*	*MVA*
Endeavour Energy	2030	*'Exemptions'!*	*MVA*
Endeavour Energy	2031 onwards	*'Exemptions'!*	*MVA*
Essential Energy	2028 or earlier	*'Exemptions'!*	*MVA*
Essential Energy	2029	*'Exemptions'!*	*MVA*
Essential Energy	2030	*'Exemptions'!*	*MVA*
Essential Energy	2031 onwards	*'Exemptions'!*	*MVA*

Total Peak Demand Exemptions by Green Hydrogen

DNSP	*Source*	Unit
Ausgrid	*'Exemptions'!*	*GWh*
Endeavour Energy	*'Exemptions'!*	*GWh*
Essential Energy	*'Exemptions'!*	*GWh*
Total Volumetric Energy Exempted by Green Hydrogen	*'Exemptions'!*	*GWh*

Total Peak Demand Exempted by Green Hydrogen

DNSP	*Source*	Unit
Ausgrid	*'Exemptions'!*	*MVA*
Endeavour Energy	*'Exemptions'!*	*MVA*
Essential Energy	*'Exemptions'!*	*MVA*
Total Peak Demand Exempted by Green Hydrogen	*'Exemptions'!*	*MVA*

The total volumetric energy after exemptions is calculated. The proportion of the total volumetric energy consumption for each NSW DNSP is applied to the volumetric energy component cost to determine the volumetric energy component cost for each NSW DNSP. The same process is applied to the “peak demand” component using the “peak demand” exemption rate.

Figure 16: Extract of cost apportionment between DNSPs tables

Calculation table 10 | Forecast Apportioned Costs between DNSPs	Source	Unit

Calculation table 10.1 | Forecast Contribution Determination Components	Source	Unit
Contribution Determination Components		
Volumetric Energy Component Contribution Determination	*"Contribution Det Itemised"*	*$millions*
Peak Demand Component Contribution Determination	*"Contribution Det Itemised"*	*$millions*

Calculation table 10.2 | Forecast Apportioned Volumetric Costs between DNSPs	Source	Unit
Apportioned Volumetric Energy Costs by DNSP		
Ausgrid	*Calculation*	*$millions*
Endeavour Energy	*Calculation*	*$millions*
Essential Energy	*Calculation*	*$millions*
Total	*Calculation*	*$millions*
Apportioned Volumetric Energy Costs by Percentage		
Ausgrid	*Calculation*	*Per cent*
Endeavour Energy	*Calculation*	*Per cent*
Essential Energy	*Calculation*	*Per cent*
Total	*Calculation*	*Per cent*

Calculation table 10.3 | Forecast Apportioned Peak Demand Costs between DNSPs	Source	Unit
Apportioned Peak Demand Costs by DNSP		
Ausgrid	*Calculation*	*$millions*
Endeavour Energy	*Calculation*	*$millions*
Essential Energy	*Calculation*	*$millions*
Total	*Calculation*	*$millions*
Apportioned Peak Demand Costs by Percentage		
Ausgrid	*Calculation*	*Per cent*
Endeavour Energy	*Calculation*	*Per cent*
Essential Energy	*Calculation*	*Per cent*
Total	*Calculation*	*Per cent*

Calculation table 10.4 | Forecast Apportioned Total Costs between DNSPs	Source	Unit
Apportioned Total Costs by DNSP		
Ausgrid	*Calculation*	*$millions*
Endeavour Energy	*Calculation*	*$millions*
Essential Energy	*Calculation*	*$millions*
Total	*Calculation*	*$millions*
Apportioned Total Costs by Percentage		
Ausgrid	*Calculation*	*Per cent*
Endeavour Energy	*Calculation*	*Per cent*
Essential Energy	*Calculation*	*Per cent*
Total	*Calculation*	*Per cent*

After the percentages are calculated, the component costs for each NSW DNSP are calculated. The combined component costs are the contribution determination for each NSW DNSP.

6 Outputs

The outputs worksheets ('Compliance', 'Tables', 'Charts') provide:

- The headline numbers for the contribution determination, being the total contribution determination and the contributions to be recovered by each NSW DNSP for the relevant contribution determination period (calculated as set out in chapter 5).
- The minimum prudent cash balance for the Fund.

6.1 Minimum prudent cash balance for Fund

The minimum prudent cash balance for the Fund is to provide[77] the scheme financial vehicle with the necessary liquidity to remain solvent. The item *minimum prudent cash balance* on the 'Financials' worksheet allows for this adjustment. It is reported on the 'Tables' worksheet as one of the components of the contribution determination.

Figure 17: Extract of contribution determination output tables

Output Table 1 | Contribution Determination for Forecast Year	*Source*	*Unit*
Apportioned Total Costs by DNSP		
Ausgrid	*'Apportion to DNSP'*	*$millions*
Endeavour Energy	*'Apportion to DNSP'*	*$millions*
Essential Energy	*'Apportion to DNSP'*	*$millions*
Total	*'Calculation'*	*$millions*
Including Minimum Prudent Balance Adjustment	*'Financial'*	*$millions*

The 'Tables' worksheet also contains historical contribution determinations, energy data, exemptions and year on year expense analysis. The 'Charts' worksheet presents charts using information from the 'Tables' worksheet.

6.2 Negative contribution determination

If the total contribution amount is a negative number, we will issue the negative contribution amount as the contribution determination (following processes set out in this guideline).

If there is a negative contribution determination, the scheme financial vehicle will consider whether it is appropriate to carry the balance into the next contribution determination, based on relevant subsidiary policies under the risk management framework, or return the amount to NSW consumers passed through as negative jurisdictional scheme tariffs by DNSPs.[78] The consumer trustee is incorporating policies to cover this scenario into its Treasury Policy and Liquidity Policy, which are subsidiary policies to the section 51 risk management framework approved by the AER.

6.3 Data point to underpin the implementation of exemptions

The Regulations require us to provide each NSW DNSP with a notice setting out the percentage of the contribution determination that relates to LTESAs[79] for generation infrastructure within their

[77] EII Act, s. 53(3).

[78] For example, the treasury and liquidity policies that are subsidiary policies to the risk management framework under section 51(1), EII Act.

[79] Long-term energy service agreements under Part 6 of the EII Act.

distribution area, within 1 week after our contribution determination is published in the gazette ('the Data Point'). [80]

The Data Point must remain confidential as its disclosure may compromise competitive tender processes in relation to network infrastructure projects and long-term energy service agreements respectively.

The Regulations permit us to include in our guidelines matters relating to the limitations on the flow of information from or within the network operator if there is the potential for a competitive advantage or disadvantage to arise.[81] As such, we require, that the NSW DNSPs implement a 'ring-fencing' arrangement for the purposes of managing the Data Point, as follows:

- each NSW DNSP shall create an 'exemptions data administration unit', comprising the officer-level and executive-level staff authorised to handle the data point.
- the Data Point must not be disclosed to any person outside the 'exemptions data administration unit'.
- no staff within the 'exemptions data administration unit' may be the same staff as those working in connection with bids for network infrastructure projects.
- the Data Point must not be used in connection with bids for network infrastructure projects.

We consider the above will likely only impose an administrative overlay on the NSW DNSPs, such that specific staff would be designated as forming part of the unit for operational purposes. We do not envisage that the NSW DNSPs would need to change existing administrative structures.

We also note that disclosure of the Data Point outside the 'exemptions data administration unit', may constitute a breach of the information disclosure provisions in section 75, EII Act.

[80] Clause 36 of the Regulations.

[81] Clause 42(1)(a)(iii) of the Regulations.

7 Contribution determination gazettal notice

Our gazetted contribution determination each February will be brief, setting out:

i. How we have made our contribution determination, which will be demonstrated in the completed template (redacted for valid confidentiality claims) and in line with this guideline[82]

ii. A total contribution determination amount for the upcoming financial year[83]

iii. The minimum prudent cash balance for the fund.[84]

iv. The amount required to be paid by each NSW DNSP (being total (ii) apportioned across Ausgrid, Endeavour Energy and Essential Energy).[85]

Upon gazettal, we will publish our contribution determination and the completed template (subject to confidentiality claims), on our website.

We intend to publish a version of the completed template with all underlying 'actuals' data (i.e., data in relation to the *t-2* year) as submitted by the scheme financial vehicle, to increase the transparency for stakeholders as to the Roadmap's costs.

We expect that initially, there may be a significant volume of data redacted from the template we publish. This is because of ongoing tenders for contestable network infrastructure and long-term energy service agreements respectively. Over time, we expect that less data will be subject to confidentiality claims and will therefore be able to be published, particularly as actuals data filters through.

It is the responsibility of each scheme entity to present a public and confidential version of its template and supporting information. Using the AER's confidentiality template,[86] scheme entities must provide a reason for each confidentiality claim.

We will shortly commence developing an Electricity Infrastructure Investment confidentiality guideline that will apply to all scheme entities. This guideline will largely align with our current confidentiality guideline that applies to regulated network service providers under the NER.[87]

82 EII Act, s.56(4).

83 EII Act, s.56(1).

84 EII Act, s. 56(3)(a).

85 EII Act, s. 56(3)(b).

86 See AER's Confidentiality Guideline but will be replicated in the NSW REZ confidentiality guideline to be published in 2023.

87 See: https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/confidentiality-guideline-2017.

8 Variation of contribution determination

The EII Act permits us to vary a contribution determination if it appears to us that:

a. the scheme financial vehicle will not be able to meet its liabilities as they fall due, or

b. the cash balance of the Fund has fallen, or is likely to fall, below the minimum prudent cash balance specified in the determination.[88]

The EII Act also requires us to publish on our website guidelines about the exercise of our functions (i.e., to vary a contribution determination).[89]

While this chapter of the guideline sets out the process and circumstances for considering a variation, it is likely there would need to be extenuating circumstances for us to consider varying a contribution determination. This is because of the way the contribution determination feeds into our regulatory functions under the NER (see figure 1). Specifically:

- We gazette our contribution determination in February each year
- Scheme financial vehicle issues contribution orders to NSW DNSPs
- NSW DNSPs pay into the Fund managed by the scheme financial vehicle
- NSW DNSPs submit annual pricing proposals to us in March each year. This includes the contribution determination amount, which is a cost passed directly through to NSW electricity consumers (via retail bills) as a jurisdictional scheme amount under the NER.

Should we vary a contribution determination outside of this broader regulatory pricing framework, we would be enabling the scheme financial vehicle to issue additional contribution orders to the NSW DNSPs. The NSW DNSPs would be obligated to make the required contributions to the Fund, but unable to pass those costs on to consumers until the next annual pricing process. Consequently, the DNSPs would be funding the Roadmap's costs and liabilities for the intervening period. This would be contrary to the NSW Government's and the NER's[90] intent. The OECC stated in its policy paper:[91]

> *It is not intended that distribution businesses or retailers be the financing vehicle for the Fund, and they are not expected to be worse off due to their role in relation to the Fund. Rather, their role is to manage the application of cost pass-through to consumers either as a jurisdictional scheme in the case of distribution businesses or to consumers for retailers.*

To vary a contribution determination would likely result in a greater increase to NSW electricity consumers than would otherwise have been the case at the next annual pricing review. This is because the contribution determination costs for the coming financial year would be passed on simultaneously with the costs of a variation.

Further, the scheme financial vehicle must act in a commercially reasonable and prudent way[92] and is expected to comply with the risk management framework and subsidiary policies that include Treasury and Liquidity policies and other strict governance arrangements. It also has access to a liquidity facility. The scheme financial vehicle, operating under these and other reporting and

88 EII Act, s. 57(1).

89 EII Act, s. 57(2).

90 NER, cl. 6.18.7A(c)(2).

91 OECC, *Electricity Infrastructure Road, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020), Exemption Administration Process*, May 2022, p. 5.

92 EII Act, s. 62(4).

accounting mechanisms, should be able to manage the Fund in such a way that a variation is not necessary.

Against this background, we would adopt the following process in considering whether to vary a contribution determination:

a. The scheme financial vehicle is to write to us, detailing the following (and providing supporting material where relevant):
    i. That the scheme financial vehicle will not be able to meet its liabilities as they fall due, including the specific liabilities and amounts, or
    ii. That the cash balance of the Fund has fallen below a sustainable level
b. The steps the scheme financial vehicle has taken to raise necessary funds and the outcomes of such steps.
c. Modelling to support the variation the scheme financial vehicle thinks is required.
d. In considering this material, we may:
    i. Consult with the financial trustee, consumer trustee or DNSPs
    ii. Seek further information from the scheme financial vehicle and other scheme entities as required.
    iii. Seek independent advice
e. We will advise the scheme financial vehicle of our decision whether to vary a contribution determination as soon as practicable.