



Call for submissions

**Proposed Negotiated Transmission Service
Criteria for Powerlink**

Regulatory control period 1 July 2012 – 30 June 2017

June 2011

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Call for submissions

Under the National Electricity Law and the National Electricity Rules (NER), the Australian Energy Regulator (AER) is responsible for the economic regulation of certain electricity transmission services provided by transmission network service providers in the National Electricity Market.

The AER will make a transmission determination applying to Powerlink for the regulatory control period 1 July 2012 to 30 June 2017. Prescribed transmission services provided by Powerlink are regulated by the AER under its revenue determination that imposes control over the revenues that Powerlink may recover. Negotiated transmission services provided by Powerlink do not have their terms and conditions determined by the AER. They are, however subject to a dispute resolution process under the NER.

Under clause 6A.2.2(3) of the NER, as part of its transmission determination the AER is required to make a decision on the Negotiated Transmission Service Criteria (NTSC) to apply to Powerlink. The NTSC sets out the criteria that are to be applied by Powerlink in negotiating terms and conditions of access for its negotiated transmission services and will also be used by an arbitrator in resolving any access dispute about any of the terms and conditions of access, as required under clause 6A.30.4(b) of the NER.

Clause 6A.11.3 of the NER requires the AER to publish its proposed NTSC, together with an invitation for written submissions, simultaneously with the publication of Powerlink's regulatory proposal. The AER is seeking submissions from interested parties in relation to the proposed NTSC to apply to Powerlink. Submissions on the proposed NTSC for Powerlink are due by close of business **Friday 12 August 2011**.

The AER prefers that all written submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested. Parties wishing to submit confidential information are asked to provide both confidential and non-confidential versions of their submission. All non-confidential submissions will be placed on the AER's website www.aer.gov.au.

The AER will treat all information and documents provided to it as part of this process in accordance with the ACCC/AER's Information Policy, which is available on the AER's website.

Submissions can be sent electronically to aer inquiry@ aer.gov.au. Alternatively, they can be sent to:

Mr Warwick Anderson
General Manager
Network Regulation
Australian Energy Regulator
GPO BOX 3131
Canberra ACT 2601

Enquiries on this matter should be directed to the Network Regulation Branch (Canberra office) of the AER on 02 6243 1233.

Proposed Negotiated Transmission Service Criteria

National Electricity Objective

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

Criteria for terms and conditions of access

Terms and conditions of access

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

Price of services

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

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

8. If the negotiated transmission service is the provision of a shared transmission service that does not meet or exceed the network performance requirements, the difference between the price for that service and the price for the shared transmission service which meets, but does not exceed, the network performance requirements should reflect the amount of the TNSP's avoided cost of providing that service (as appropriate).
9. The price for a negotiated transmission service must be the same for all Transmission Network Users unless there is a material difference in the costs of providing the negotiated transmission service to different Transmission Network Users or classes of Transmission Network Users.
10. The price for a negotiated transmission service must be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person, in which case such adjustment must reflect the extent to which the costs of that asset is being recovered through charges to that other person.
11. The price for a negotiated transmission service must be such as to enable the TNSP to recover the efficient costs of complying with all regulatory obligations associated with the provision of the negotiated transmission service.

Criteria for access charges

Access charges

12. Any access charges must be based on costs reasonably incurred by the TNSP in providing Transmission Network User access and (in the case of compensation referred to in clauses 5.4A(h) to (j) of the NER) on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in clauses 5.4A(h) to (j) of the NER where an event referred to in those paragraphs occurs (as appropriate).