

AusNet Transmission Group Pty Ltd

Transmission Revenue Review 2017-2022

Appendix 15A: Victorian Negotiating Framework (1 April 2017 – 31 March 2022)

Submitted: 30 October 2015



Victorian Negotiating Framework

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1. Introduction

About this negotiating framework

Clause 6A.9.5 of the National Electricity Rules requires a *Transmission Network Service Provider* to prepare a *negotiating framework* setting out the procedure to be followed during negotiations with any person who wishes to receive a *negotiated transmission service* from the *Transmission Network Service Provider*, as to the *terms and conditions of access* for the provision of the service. The *negotiating framework* must comply with and be consistent with:

- The applicable requirements of a transmission determination applying to the *Transmission Network Service Provider*; and
- The minimum requirements for a negotiating framework, which are set out in clause 6A.9.5(c) of the *Rules*.

This is the *negotiating framework* applicable to the Victorian Transmission Network, subject to the approval of the *AER* under the *Rules*. It has been prepared jointly by AEMO and AusNet Services.

This *negotiating framework* applies to AEMO and AusNet Services for the period 1 April 2017 to 31 March 2022.

Definitions

Terms appearing in italics in this document are defined in the *Rules*. Additional defined terms and abbreviations used in this document are listed below:

AEMO means the Australian Energy Market Operator Limited (ABN 94 072 010 327)

Business Day means a day that is not:

- (a) a Saturday or Sunday; or
- (b) observed as a public holiday in Melbourne, Victoria.

Negotiating Party – see section 3 of this *negotiating framework*.

AusNet Services means AusNet Transmission Group Pty Ltd (ABN 78 079 798 173).

TNSP means *Transmission Network Service Provider*.

Victorian Transmission Network means the declared transmission system as defined in section 33 of the *National Electricity (Victoria) Act 2005* (Vic).

What are negotiated transmission services?

A *negotiated transmission service* is defined in the *Rules* as any of the following services:

- “(a) a *shared transmission service* that:
 - (1) exceeds the *network* performance requirements (whether as to quality or quantity) (if any) as that *shared transmission service* is required to meet under any *jurisdictional electricity legislation*; or
 - (2) except to the extent that the *network* performance requirements which that *shared transmission service* is required to meet are prescribed under any *jurisdictional electricity legislation*, exceeds or does not meet the *network* performance requirements (whether as to quality or quantity) as are set out in schedule 5.1a or 5.1;
- (b) *connection services* that are provided to serve a *Transmission Network User*, or group of *Transmission Network Users*, at a single *transmission network connection point*, other than *connection services* that are provided by one *Network Service Provider* to another *Network Service Provider* to connect their *networks* where neither of the *Network Service Providers* is a *Market Network Service Provider*; or

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- (c) *use of system services* provided to a *Transmission Network User* and referred to in rule 5.4A(f)(3) in relation to *augmentations* or *extensions* required to be undertaken on a *transmission network* as described in rule 5.4A,
- but does not include an *above-standard system shared transmission service* or a *market network service*."

2. Victorian Transmission Network Arrangements

Under the electricity transmission arrangements in Victoria, AEMO provides *shared transmission services* to users of the Victorian Transmission Network. For those purposes, AEMO procures *network* capability and related services from AusNet Services and any other party which owns and operates a part of the Victorian Transmission Network and is registered as a TNSP (also known as *declared transmission system operators*), or is exempted from registering as such by the AER.

AusNet Services is the TNSP who owns and operates the major part of the Victorian Transmission Network. AusNet Services provides and offers *connection services* to *Network Users* in respect of the major part of the Victorian Transmission Network.

Any application to *connect* to the Victorian Transmission Network will require the *Service Applicant* to enter into agreements with both AEMO for *shared transmission services* and AusNet Services or the relevant TNSP (as applicable) for *connection services*. Additional agreements are required if an *augmentation* of the *network* is required to facilitate the *connection*, consistent with section 50F of the *National Electricity Law* and rule 8.11 of the *Rules*. AEMO has primary responsibility for assessing the impact of a proposed *connection* on the Victorian Transmission Network, including its effect on other *Network Users*.

In respect of enquiries for *connection* to its *transmission network*, AusNet Services or the relevant TNSP (as applicable) has primary responsibility for assessing and advising a *Service Applicant* on the *connection assets* at the physical interface with its *transmission network* (*network exit services* and *network entry services*).

3. Application of Negotiating Framework

This *negotiating framework* applies to:

- AEMO and each *Service Applicant* who applies in writing to AEMO for the provision of *shared transmission services* which are *negotiated transmission services*; and
- AusNet Services and each *Service Applicant* who applies in writing to AusNet Services for the provision of *connection services* which are *negotiated transmission services*,

(each a **Negotiating Party** in respect of the relevant *negotiated transmission service*).

The Negotiating Parties must comply with the requirements of this *negotiating framework* in accordance with rule 6A.9.5(e).

The requirements set out in this *negotiating framework* are in addition to any requirements or obligations contained in Chapters 4, 5 and 6A and 8 of the *Rules*. In the event of any inconsistency between this *negotiating framework* and any other requirement of the *Rules*, the requirements of the *Rules* will prevail.

Nothing in this *negotiating framework* will be taken as imposing an obligation on AEMO or AusNet Services to provide any service to the *Service Applicant*.

This *negotiating framework* is intended to be capable of adoption by other *declared transmission system operators* in respect of the *connection services* they provide in Victoria, subject to AER approval.

4. Conduct of Negotiations

Good faith

Each Negotiating Party must negotiate in good faith the *terms and conditions of access* for the provision of the *negotiated transmission service* sought by the *Service Applicant*.

AEMO policies

AEMO may, from time to time and after public consultation, *publish* policies and associated documents relating to cost allocation and other matters relevant to the negotiation of terms and conditions for the provision of *shared transmission services*. Negotiations for the provision of those services by AEMO will be conducted in accordance with any applicable policies.

5. Timeframe for Negotiations

Chapter 5 of the *Rules* provides the framework for *connection* to the Victorian Transmission Network. Applications for *negotiated transmission services* must be commenced, progressed and finalised in accordance with the timeframes and requirements set out in Chapter 5 of the *Rules*, unless otherwise agreed between the Negotiating Parties. In addition, AusNet Services will make an offer to connect within any time period specified in its transmission licence. As at the date of this *negotiating framework*, that period is 65 Business Days after receiving all information AusNet Services reasonably requires to make the *connection* offer.

Each of AEMO and AusNet Services will give the *Service Applicant* a *preliminary program* in response to the connection enquiry as required by clause 5.3.3(b)(6) of the *Rules*, which will include reasonable milestones for provision of an offer to *connect* and for execution of a *connection agreement*.

The Negotiating Parties must use reasonable endeavours to adhere to the time periods referred to in this section, subject to section 12.

Notwithstanding any other provision of this *negotiating framework*, the timeframes referred to in this section:

- Do not commence until payment of the application fee pursuant to section 6; and
- Reset if there is a material change in the *negotiated transmission service* sought by the *Service Applicant*, unless AEMO or AusNet Services agrees otherwise.

6. Costs of Investigation and Negotiation

Prior to commencing negotiations, the *Service Applicant* must pay an application fee to AEMO and/or AusNet Services (as applicable), such amounts not being more than necessary to:

- Cover the reasonable costs of AEMO and/or AusNet Services (as applicable) anticipated to arise from investigating the *application to connect* and preparing the associated offer to *connect*; and
- Meet the reasonable costs anticipated to be incurred by other *Network Service Providers*, to the extent that their participation in the assessment of the *application to connect* will be required.

From time to time, AEMO or AusNet Services may give the *Service Applicant* a notice setting out the reasonable costs it, or any other *Network Service Provider*, incurs. If the aggregate of the costs incurred exceed the application fee and any additional amount already paid by the *Service Applicant* under this section, the *Service Applicant* must pay such excess within 20 Business Days of receipt of an invoice.

Each of AEMO and AusNet Services may require the *Service Applicant* to enter into a binding agreement with it that addresses conditions, guarantees and other matters in relation to the costs of investigation and negotiation.

7. Charges for Negotiated Transmission Services

The price (charges) for *negotiated transmission services* must be in accordance with the principles set out in clause 6A.9.1 of the *Rules*. Accordingly, an offer to *connect* will include charges which are “based on the costs incurred in providing that service, determined in accordance with the principles and policies set out in the *Cost Allocation Methodology*” (as per clause 6A.9.1(1)), and taking into account all other applicable *Negotiated Transmission Service Principles*. In relation to AEMO a reference to “*Cost Allocation Methodology*” is taken to be a reference to AEMO’s published revenue methodology. As noted in section 4, AEMO may also publish (or publish amendments to) cost allocation policies applicable to *shared transmission services*.

The Negotiating Parties may agree to an alternative scope of works and price through the negotiation process.

8. Provision of Information

General commercial information

Each Negotiating Party agrees to provide to the other Negotiating Parties all such commercial information that may reasonably be required to enable those other Negotiating Parties to engage in effective negotiation for the provision of the relevant *negotiated transmission service*. The commercial information provided by AEMO or AusNet Services will include a description of the nature of the *negotiated transmission service*, including details of what AEMO or AusNet Services would provide as part of that service and the terms and conditions on which that service will be provided.

A Negotiating Party may give notice to another Negotiating Party requesting any additional commercial information that is reasonably required by the first Negotiating Party to enable it to engage in effective negotiations in relation to the provision of a *negotiated transmission service* or to clarify commercial information already provided.

A Negotiating Party who is requested to provide information under this section must use reasonable endeavours to do so within 10 Business Days of the request or as otherwise agreed by the parties.

Information about costs and charges

AEMO will identify and inform the *Service Applicant* of the reasonable costs, and/or the increase or decrease in costs (as appropriate), of providing a *negotiated transmission service* that is a *shared transmission service*.

AusNet Services will identify and inform the *Service Applicant* of the reasonable costs, and/or the increase or decrease in costs (as appropriate), of providing a *negotiated transmission service* that is a *connection service*.

AEMO or AusNet Services (as applicable) will demonstrate to the *Service Applicant*, upon request, that the charges for providing the relevant *negotiated transmission service* reflect those costs, and/or the cost increment or decrement (as appropriate).

9. Confidential Information

Commercial information required to be provided by a Negotiating Party pursuant to this *negotiating framework* does not include:

- Confidential information provided to that Negotiating Party by another person; or

- Information that the Negotiating Party is prohibited by law from disclosing.

Commercial information may be provided by a Negotiating Party subject to a condition that the other party must not provide any part of that commercial information to any other person without the consent of the party disclosing the commercial information. A Negotiating Party may require another Negotiating Party to enter into a confidentiality agreement on terms reasonably acceptable to both parties.

In processing a connection enquiry and *application to connect*:

- AEMO may be required to consult with affected *Network Service Providers* and *Transmission Network Users*; and
- AusNet Services may be required to consult with other affected *Network Service Providers*, *Transmission Network Users* and AEMO.

Having regard to these obligations the *Service Applicant* must, when providing information to AEMO or AusNet Services, specifically identify in writing any information that is not to be disclosed for the purposes of those consultations.

Unless advised to the contrary, the *Service Applicant* is taken to consent to the disclosure of its commercial information for the purposes of consultation as outlined in this section.

10. Dispute Resolution

All disputes as to the *terms and conditions of access* for the provision of a *negotiated transmission service* are to be dealt with in accordance with Part K of Chapter 6A of the *Rules*.

11. Other Network Users

In accordance with clause 6A.9.5(c)(8) of the *Rules*, AEMO and AusNet Services will determine the potential impact on other *Transmission Network Users* of the provision of the relevant *negotiated transmission service*.

AEMO and AusNet Services will notify and consult with any affected *Transmission Network Users* and ensure that the provision of the relevant *negotiated transmission service* does not result in non-compliance with any service standards or other obligations in relation to other *Transmission Network Users* under the *Rules* or a *connection agreement*.

12. Suspension of Time Periods

Any applicable timeframe for negotiation or provision of a *negotiated transmission service* as referred to in this *negotiating framework* may be suspended if:

- Within 15 Business Days of AusNet Services or AEMO (as applicable) providing the commercial information to the *Service Applicant* pursuant to section 8, the *Service Applicant* does not agree to a date for the undertaking and conclusion of commercial negotiations, until that date is agreed;
- A dispute in relation to the *negotiated transmission service* has been notified to the *AER* under clause 6A.30.1 of the *Rules*, from the date of notification of that dispute to the *AER* until the dispute is withdrawn, terminated or determined;
- Within 10 Business Days of AusNet Services requesting additional commercial information from the *Service Applicant* pursuant to section 8, the *Service Applicant* has not supplied that commercial information, until the date the information is provided;

- Without limiting the above, the *Service Applicant* does not promptly conform with any of its obligations as required by this *negotiating framework* or as otherwise agreed by the Negotiating Parties, until the date the obligations are complied with; or
- AEMO or AusNet Services has been required to consult with any affected *Network Service Providers, Transmission Network Users* (or, in the case of AusNet Services, AEMO), for the period reasonably allowed by AEMO or AusNet Services for such consultation or until the receipt of any information required from that party for the purpose of providing the *negotiated transmission service*, whichever is later.

13. Termination of Negotiations

The *Service Applicant* may elect not to continue with an application for a *negotiated transmission service* and may terminate the negotiations by giving the other Negotiating Parties written notice of its decision to do so.

AEMO or AusNet Services may terminate a negotiation under this *negotiating framework* by giving the AusNet Services or AEMO (as applicable) and the *Service Applicant* written notice of its intention to do so where:

- It is of the reasonable opinion that the *Service Applicant* will not acquire the *negotiated transmission service*;
- It believes on reasonable grounds that the *Service Applicant* is not conducting the negotiations in good faith;
- The *Service Applicant* consistently fails to comply with the obligations in this *negotiating framework*;
- The *Service Applicant* fails to pay one or more of the amounts specified in section 6; or
- An event occurs in relation to the *Service Applicant* that would be a *default event* under any of clauses 3.15.21 (a)(7) to 3.15.21(a)(15) of the *Rules* if the *Service Applicant* were a *Market Participant*.