

ELECTRICITY TRANSMISSION NETWORK owners

Pricing Methodology Guidelines

Response to AER Issues Paper

16 May 2007



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Introduction

This submission is made on behalf of the Electricity Transmission Network Owners Forum (ETNOF) consisting of Powerlink, TransGrid, SP AusNet, ElectraNet and Transend.

The AER published an Issues Paper for Pricing Methodology Guidelines on 4 April 2007. The Issues paper relates to amendments to the Rules as a result of NER Amendment Rule #22 which commenced on 21 December 2006. This Rule introduced a New Part J and Chapter 6A "Prescribed Services – Regulation of Pricing". Clause 6A25.1 of the Rules requires the AER to publish a "Pricing Methodology Guideline" by 31 October 2007.

ETNOF appreciates the opportunity to comment on an Issues Paper, provided by the AER, ahead of the publication of a Draft Pricing Methodology Guideline. This additional consultation step is considered beneficial and is commended.

The requirements for the AER Pricing Methodology Guideline (Guideline) are set out in Clause 6A.25.2 and include 5 areas including:

- Information requirements;
- Pricing structures (locational);
- Pricing structures (postage stamped);
- Attribution of system assets to categories of prescribed services; and
- Disclosure of information.

The AER Issues Paper follows the above sequence. ETNOF includes comment on each topic followed by specific comments on the particular questions raised by the AER in tabulated format in Attachment 1.

1. Information Requirements

The AEMC, in its determination on the Pricing Rules, stated that it “believes that the current approach [as codified in the “old” chapter 6 of the Rules]¹ to the implementation and administration of pricing methodologies is inappropriately detailed”². In the amendment Rule #22 published in December 2006, the AEMC re-cast the Rules to include pricing principles within the Rules themselves and left the implementation of those principles to be undertaken through pricing methodologies.

Chapter 6A of the Rules require Transmission Network Service Providers (TNSPs) to prepare a Pricing Methodology for approval of the AER at the time of the TNSP revenue reset. The TNSP Pricing Methodology must be consistent with the Guideline as well as the principles in Clause 6A.23 of the Rules. The minimum requirements of the Guideline are prescribed in Clause 6A.25.2. Nevertheless, the AER is required to consult on its Guideline and must publish the Guideline prior to 31 October 2007.

ETNOF’s view is that the general level of detail required in pricing methodologies should be similar to that provided in the former (codified) Rules. The description of the CRNP methodology in the former Schedule 6.4 would appear to be a good example of the level of information required.

There is no indication in the Pricing Determination that the AEMC considered that more detail on how prices should be calculated was required. ETNOF members are concerned that the list of issues in Section 6.1 of the AER Issues Paper will be read to imply that much greater scope and detail of information should be provided than previously and, if so, goes against AEMC’s determination on the Pricing Rules, which stated that overly detailed Rules were the catalyst for Rule change.

ETNOF members consider that the Guidelines should include material similar to the following:

1. The Guideline should set out the process undertaken to calculate the various prescribed transmission charges. The level of detail required should be sufficient for the AER to clearly follow the steps in the allocation process leading to the setting of each price. The level of detail provided in the former Schedule 6.4 of the Rules, covering the setting of Transmission Use of System (TUOS) Usage Charges, is appropriate. The methodology does not need to include specific spreadsheets or other data management software or systems developed by the TNSP to undertake pricing, but should note that such systems are used.
2. The Guideline should include a high level flow chart of the process.
3. The Guideline must reference the principles set out in Clauses 6A.23.2 and 6A.23.3 to demonstrate how the TNSP gives effect to each principle.
4. A TNSP has a choice of approach to allocation of the Annual Service Revenue Requirement (ASR) for prescribed TUOS services and must indicate which approach is proposed to be used and details of the mechanism for making that allocation. The Guideline should accommodate a TNSP proposal to use a different mechanism from that previously used, then the submission seeking approval for

¹ Emphasis added by ETNOF.

² AEMC 2006, Proposed National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006, Rule Proposal Report, 24 August 2006, Sydney. p.35.

the methodology must also include an overview of the price change implications for customers.

5. Where a derogation from the Rules applies, the pricing methodology must set out how the derogation is taken into account.
6. The revenue allocation and resulting prices will apply for the full financial year. The AER may approve a re-allocation and price reset in exceptional circumstances such as a major change in the network or a Rule change which significantly impacts on TNSP revenues.

If an unusual pricing issue arises which is not covered by the pricing methodology, then the TNSP must be able to demonstrate that the approach adopted in that specific case complies with the Rules Pricing Principles.

1.1 Content of AER Guidelines

In adopting a less prescriptive approach to the level of detail in the Rules, ETNOF understands that the AEMC sought to balance the competing interests of providing consistency while also allowing for innovation.

ETNOF notes that the Guideline can support this approach by providing specific guidance on matters where consistency is appropriate and will not hinder innovation. This goes beyond the question of what minimum Rules mandated information is needed in pricing methodologies for the AER to assess compliance and addresses the issue of what guidance should the AER provide to promote consistency.

In ETNOF's view, it would be appropriate for the Guidelines to provide guidance to promote consistency in the following seven areas:

1. Prices to a connection point

Entry and exit charges are calculated separately for each transmission connection point. The Guideline should provide guidance on whether TUOS locational prices are calculated separately for each transmission connection point or whether these prices are calculated at an aggregated substation level. Guidance should also be provided as to whether energy and demand measurements for the purpose of determining non-locational TUOS and common transmission service prices should be taken at separate connection points or at an aggregated substation level.

The Guidelines should confirm that, because prices are set for each connection point, loads at different locations cannot be aggregated by network users connected at multiple sites.

Where a load customer has a back up connection to a different point, or at a different voltage, for use during outages, the TNSP may choose to set identical TUOS locational charges for the two connections to avoid giving the customer an artificial incentive to switch load to the back up supply.

2. Connection assets used by more than one customer

Where there is more than one customer connected at a location and both customers make use of the same connection assets, the costs must be shared between the customers. ETNOF recommends that the sharing of costs should be based on agreement with customers, and if agreement cannot be reached, based on an objectively determined measure, such as maximum demand or generator name plate rating.

3. Prescribed common transmission services – operating costs

The revenue allocation process for pricing is largely based on allocation to assets based on the optimised replacement cost or an equivalent. Before this allocation is made, the Aggregate Annual Revenue Requirement (AARR) is adjusted by subtracting the operating and maintenance costs expected to be incurred in the provision of prescribed common services (Clause 6A.22.1). To avoid doubt, the Guidelines should confirm that these costs will be principally the operating costs of managing the business, transmission network switching and operations, transmission network planning and development, and other general overheads including, for example in the case of Victoria, payments from SP AusNet to VENCORP, and easement land tax. The cost figures used for price setting may be taken from estimates of the actual costs in the current financial year.

4. Prescribed TUOS services locational component – survey period

The survey period for the allocation should include a range of operating scenarios which result in most stress on the network and for which network investment may be contemplated. ETNOF recommends the Guideline contain an acceptable approach, such as, the use of a full year of operating data to make sure that all relevant scenarios are included.

5. Settlement Residue Auction Proceeds

The Rules require that the relevant proceeds for each interconnector are first used to offset the TUOS locational component of pricing related to that interconnector, with any balance then being included in the TUOS non-locational component. The Guidelines should set out the approach required in the methodology that the TNSP intends to take to achieve this offset, and should identify the relevant transmission assets forming the interconnector(s).

In ETNOF's view, an appropriate process is to convert the estimated settlement residue auction proceeds to an equivalent asset replacement cost using the same ratio of revenue to assets that is subsequently used to determine the TUOS locational charges. That converted estimate can then be used to offset the optimised replacement cost of the interconnector assets prior to the allocation process for locational charges.

ETNOF notes that the description of the adjustment process in the Rules in Clause 6A.23.3 (e), is confusing as it refers to adjustments of the locational component at connection points rather than adjusting the locational component relating to the interconnector line(s). Read literally, it could be taken to mean that the TUOS locational charges at the connection points at either end of an interconnector can be set to zero which would be a bizarre outcome. ETNOF members would be pleased to co-operate in a Rules change to clarify the wording and intent of this clause.

6. Network support costs

ETNOF recommends network support costs, undertaken to defer an augmentation to the network, should be treated on a locational basis so that costs are seen by the customers who would otherwise contribute to the network augmentation. The

estimated costs can be converted to an equivalent asset value, in the same way as set out above for settlement residue auction proceeds, and then added to the assets which these services support. The result is that these costs will be recovered through the TUOS locational and non-locational charges.

7. Pre-existing arrangements

Where connection agreements established prior to 21 December 2006 establish prices for entry or exit charges, those charges should be honoured for the life of the current agreement.

2. Pricing structures - Locational

Under the former Pricing Rules, one of the very few areas which were open to TNSPs for innovation was the structure of locational charges. The pricing structures adopted showed differences in approach, as set out in the Issues Paper, reflecting TNSP's differing views about investment drivers, and also reflecting other factors such as maintaining pre-existing pricing structures which were familiar to customers.

In principle, ETNOF members support the concept of moving to a consistent structure for TUOS locational prices. To avoid price shocks for customers, it may be desirable to phase in a change in structure over a number of years, so that implementation can be achieved, without undue complication for customers. This phase-in period should be flexible enough to accommodate issues arising from consultation with affected customers.

ETNOF notes the AER's reference to invoicing for transmission services in relation to billing periods. TNSP connection agreements usually specify that invoicing will be on a monthly basis rather than on weekly billing periods. ETNOF does not see a compelling reason to change.

ETNOF notes that the requirement to signal efficient investment and utilisation decisions is a sound economic principle, but the effectiveness of such signalling on influencing the behaviour of participants is rather tenuous. It has been well documented elsewhere that transmission charges are a small component of overall costs for most loads which are free to choose or change location or to alter their pattern of usage. In this context there is little practical benefit in providing a highly sophisticated price signal.

TNSPs would therefore favour a price structure which includes a simple, easily identified price signal and simplicity of the calculation of charges for customers.

A demand-based price, with penalties if the specified demand is exceeded would certainly be an incentive for a customer to accurately predict their maximum demand and to take measures not to exceed the nominated limit.

With respect to impact of demand based pricing structure options on classes of network users, ETNOF notes that there will be winners and losers. It can be expected that there will be some change in the incidence of charges and a transition process may be necessary if any of the options is adopted. AER should note that the "2% Rule" applies to change in prices, not to the change in total TUOS locational charges paid by a customer. As a result, the 2% Rule, by itself, will not provide a transition mechanism where the structure of prices is changed.

As noted above, it is not expected that a change in price structure will greatly alter the incentives on customers to change their pattern of energy usage or location. Thus, the AER may consider other criteria for selecting a preferred option such as simplicity (ease of understanding) and ease of calculation.

ETNOF considers that there is merit in the option of using demand based prices expressed in dollars per kVA per time period as it ensures that customers who are not meeting their power factor obligations may pay more. A significant issue would be the lack of revenue quality kVA metering at all locations. Moreover, TNSPs would need to modify their data collection and invoicing systems. Customers would also need to modify their systems for verifying invoices. There would be considerable cost in this and time would be needed for development, testing and implementation.

A transition phase of several years to install additional metering and/or test metering for revenue quality compliance, as well as for the related billing system development would be necessary if the AER were to require charges to be based on kVA metering.

3. Pricing structures - Postage Stamp

The AEMC has introduced a significant change to the approach to pricing for these services in its Pricing Rules determination. When the Australian Competition and Consumer Commission (ACCC) considered this issue in some depth in 2001, it determined that the then TUOS General Charge (equivalent of the TUOS non-locational charge) and the Common Service Charge were “intended to be non-distortionary to participants behaviour”³; that is should not provide price signals to influence customer behaviour.

The AEMC, on the other hand, has proposed that these charges should be postage stamped but also need to reflect the importance of signalling the potential future impact of load growth on the need to invest in transmission or transmission alternatives. In other words, the AEMC sees that these charges should be designed to influence participant behaviour.

As the charges are to be postage stamped, *ceteris paribus*, they cannot provide locational price signals.

The pricing arrangements in the existing Rules have been incorporated into TNSP connection agreements with customers, particularly for those customers who have sought to have the charges based on a nominated or contracted demand. Any change to the pricing structure will need to recognise that these existing arrangements, negotiated in good faith under the former Rules, will need to be preserved while the agreements are in force.

The existing postage stamp provisions (Postage stamp Option 1) appears to be best able to meet the requirements. This methodology and pricing is already consistent across the NEM (apart from details of the price units which could be readily changed). It also provides a broad signal of future investment by encouraging larger loads to manage their demand peaks in order to reduce the cost of demand-based charges.

³ ACCC, 21 September 2001- Application for Authorisation – Amendments to the National Electricity Code – Network pricing and market network service providers, pages 40-42.

4. Attribution of system assets to categories of prescribed services

ETNOF notes that the deletion of the former Schedule 6.2 of the Rules has left a gap in asset classification. ETNOF's recommends that the inclusion of an equivalent schedule in the Guidelines (updated to reflect the changes to the Rules) would assist in creating consistency.

Other additions to the list of transmission asset types directly attributable to prescribed entry services may include assets which have been categorised under the former Rules as prescribed entry services. This may include additional assets including radial lines from the substation to the agreed connection point at the generator, for example. ETNOF notes that land, buildings and fences forming part of a substation may be assigned proportionately to the primary equipment in the substation and thus only a share of the assets is ultimately assigned to entry assets.

5. Disclosure of information

ETNOF members support the AER's view that any information identified by a TNSP as confidential should not be publicly released.

In particular, any information regarding the calculation of approved transmission price discounts that would allow identification of the discount rates charged to particular customers should not be publicly disclosed as this information is commercially sensitive for the customer.

Where a TNSP has developed specialised software or systems for the data management required in price setting, the AER should recognise the Intellectual Property (IP) of such systems by not publicising such IP.

5. Summary

ETNOF is please to provide this response to the AER's Issue Paper on the Pricing Methodology Guidelines. In general ETNOF supports the overall direction the AER is pursuing. The following specific responses are provided by ETNOF on the need to:

- Set rates for a location rather than connection points
- Minimise provision of redundant and unnecessary data (Information Disclosure)
- Provide a clear definition for Prescribed Common Service Transmission Service Operating Costs
- Minimise impacts on customers due to changes in rate structures and lack of transitional arrangements
- Ensure a correct process for handling settlement Residue Auction Proceeds
- Honour pre-existing connection agreements

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In principle ETNOF agrees with the concept of having a uniform rate structure across all TNSPs. However, as this will impact on some TNSPs' customers more than others, ETNOF recommends that the AER consult with customers and clearly outline the impacts and advantages/disadvantages of this change. ETNOF also recommends that the AER put in place a transitional arrangement in the Guidelines to manage any price shocks.

It is also ETNOF's view that the AEMC misunderstood that the intention of the postage stamp charges as revenue recovery mechanism that was not intended to provide price signals to customers. As such ETNOF supports a continuation of the existing postage stamp arrangement best described as Option 1 in the Issues Paper.

Attachment 1: Pricing Methodology Question Responses

	AER Question	ETNOF Position
Q1	<p>What additional information should be sought by the AER to assist it in determining whether a <i>TNSP's</i> proposed <i>pricing methodology</i> is consistent with the <i>Pricing Principles for Prescribed Transmission Services</i> and Part J of Chapter 6A of the NER?</p>	<p>No information in addition to that outlined by the AER should be required, except as outlined above.</p>
Q2	<p>Is any of the information contained in section 6.1 unnecessary to determine whether a <i>TNSP's</i> proposed <i>pricing methodology</i> is consistent with the <i>Pricing Principles for Prescribed Transmission Services</i> and Part J of Chapter 6A of the NER?</p>	<p>The requested information is sufficient. However, A number of the points listed in section 6.1 refer directly to requirements in the Rules and appear unnecessary in this context. To address these points a TNSP can most likely do no more than quote the relevant clauses in the pricing methodology. For example, it is expected that a pricing methodology will simply restate the Rules clauses covering the third, fifth and ninth points in the list.</p> <p>The tenth point (on prudential requirements) appears to be a commercial matter for TNSPs to agree with their customers in the context of the Rules, rather than necessarily part of the pricing methodology.</p> <p>In addition, the first dot point refers to an explanation of the methodology including worked examples. The pricing process is an integrated process for the setting of all prescribed prices. Thus, worked examples should apply only to specific steps in the process, not to the whole process. It is not practical to include in the methodology the complete integrated process leading to production of prices as a worked example.</p>

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	AER Question	ETNOF Position
Q3	<p>Given the requirement to signal efficient investment and utilisation decisions, which of the pricing structure options discussed would be most appropriate for the recovery of the locational component of <i>prescribed TUOS services</i>?</p>	<p>The requirement to signal efficient investment and utilisation decisions is a sound economic principle but the effectiveness of such signalling on influencing the behaviour of participants is rather tenuous. It has been well documented elsewhere that transmission charges are a small component of overall costs for most loads which are free to choose or change location or to alter their pattern of usage. In this context there is little practical benefit in providing a highly sophisticated price signal.</p> <p>As an example, TransGrid's standard charges include two locational components – an energy consumption charge which is only applied to energy used during peak and shoulder periods and a maximum monthly demand charge. This pricing structure should encourage customers to shift energy usage to off peak periods and to spread demand to reduce the peak demand. Customers can gain an immediate TUOS saving if they can adopt these measures. However, with perhaps one exception, there is no evidence that any customers have actually responded to these pricing signals.</p> <p>TNSPs would therefore favour a price structure which includes a simple, easily identified price signal and which is simple to calculate. It should also provide a prompt benefit to customers who respond to the signal; that is, the change in amount paid should not be delayed for one or two years until the change is reflected in a nominated survey period.</p> <p>A demand-based price with substantial penalties if the specified demand is exceeded would certainly be an incentive for a customer to accurately predict their maximum demand and to take measures not to exceed the nominated limit.</p>
Q4	<p>To what extent would the pricing structure options discussed deter efficient investment and utilisation decisions?</p>	<p>None of the options discussed would deter such decisions. They would all give a price signal which was "in the right direction".</p>
Q5	<p>How could the pricing structure options canvassed be modified to better reflect the requirements of the NER.</p>	<p>See ETNOF position on price signals in Question 3.</p>

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	AER Question	ETNOF Position
Q6	Can a price based on demand at times of greatest utilisation of the transmission network include an <i>energy based price</i> or a fixed price?	<p>It can. A measure of maximum half hourly demand is in fact a measure of energy usage during a defined half hour period, not a measure of instantaneous demand. Extending that concept, a measure of energy usage during a specified set of half hour periods which are considered to cover the time of greatest network utilisation is also a mechanism for measuring peak demand which is consistent with the Rules requirement.</p> <p>Fixed charges should also be acceptable if they are based on appropriate measures. Options 5 and 6 in the Issues Paper are effectively fixed annual charges.</p>
Q7	Are there any implementation issues which might impede the use of the pricing structure options canvassed?	ETNOF does not know of any such issues.
Q8	If the <i>demand based pricing</i> structure options are not appropriate, or are impractical, what <i>demand based pricing</i> structures could be implemented?	<p>ETNOF views Demand based pricing structures as an economically justifiable measure of network utilisation.</p> <p>Options which require studies to determine the periods where maximum loading occurs would not be as simple and effective as using data for a full year. ETNOF recommends the Guideline contain an acceptable approach, such as, the use of a full year of operating data to make sure that all relevant scenarios are included.</p> <p>Pricing structures based on 7 day billing periods are not appropriate given that accepted current practice, as recorded in agreements negotiated with customers, is based on monthly billing.</p>
Q9	To what extent is consistency across the NEM required when specifying a <i>demand based pricing</i> structure for this component of <i>prescribed TUOS services</i> ? To what extent are the various options compatible with each other?	As noted above, the previous Rules expressly provided for TNSPs to adopt different pricing structures for these charges. In principle, ETNOF members would have no objections to moving to a consistent pricing structure, provided that could be done in a way which was acceptable to customers, possibly including a transition period, and did not create excessive new cost for TNSPs.

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	AER Question	ETNOF Position
Q10.	<p>Would additional costs be incurred by TNSPs in adopting any of the <i>demand based pricing</i> options discussed, and if so, can these costs be quantified?</p>	<p>Any change in pricing structure will require modifications to IT systems used for calculation of prices and for invoicing customers. These costs will vary for each TNSP depending on the extent of the changes and the degree of automation of these processes. Further, TNSPs should not be required to bear the cost of the required adjustment.</p> <p>Customers, including distributors, would also need to adjust their systems to deal with different data and price calculations for invoice checking.</p> <p>There would also be costs in liaison with customers and other stakeholders to explain the changes.</p>
Q11.	<p>What is the likely impact of the <i>demand based pricing</i> structure options canvassed on all classes of network users?</p>	<p>It can be expected that there will be some change in the incidence of charges – winners and losers - and a transition process may be necessary if any of the options is adopted. AER should note that the “2% Rule” applies to change in prices, not to the change in total TUOS locational charges paid by a customer. As a result, the 2% Rule, by itself, will not provide a transition mechanism where the structure of prices is changed.</p> <p>As noted above, it is not expected that a change in price structure will greatly alter the incentives on customers to change their pattern of energy usage or location. Thus, the AER may consider other criteria for selecting a preferred option such as simplicity (ease of understanding) and ease of calculation.</p>
Q12.	<p>What is the benefit of consistency in pricing structure to network users in general, and to specific types of users in particular?</p>	<p>It is ETNOF’s position that customers will be better placed to respond to this question.</p>
Q13.	<p>To what extent do the current pricing structure arrangements provide signals for efficient network investment and utilisation decisions?</p>	<p>See general comments above and the comments on Question 3. Each of the existing pricing structures has been designed to comply with this obligation.</p>

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	AER Question	ETNOF Position
Q14.	<p>What implications arise in considering whether <i>demand based prices</i> might be better expressed in dollars per kVA per time period, as opposed to dollars per kW per time period?</p>	<p>There is merit in this option as it also ensures that customers who are not meeting their power factor obligations may pay more.</p> <p>A price structure using kVA charges would include the effect of reactive devices on the power system, permit better management of power factors and some form of demand side management. Therefore, it would be advantageous to have both DUOS and TUOS charges in the same format. This would allow DNSPs take responsibility for demand side management and pass on the cost power factor correction cost to customers. This would benefit the whole network as power factor correction devices such as capacitors and inductors are more effective closer to the load.</p> <p>A significant issue would be the lack of revenue quality kVA metering at all locations. Moreover, TNSPs would need to modify their data collection and invoicing systems. Customers would also need to modify their systems for verifying invoices (see comments in Question 10). There would be considerable cost in this and time would be needed for development, testing and implementation.</p> <p>A transition phase of several years to install additional metering and/or test metering for revenue quality compliance, as well as for the related billing system development would be necessary if the AER were to require charges to be based on kVA metering.</p>
Q15.	<p>Which of the <i>postage stamp</i> pricing structures discussed would be most appropriate, taking into consideration the desirability of consistency across the NEM, particularly for customers with operations in multiple jurisdictions and the desirability of signalling efficient investment and network utilisation decisions?</p>	<p>The existing postage stamp provisions (Postage stamp Option 1) appears to be best able to meet the requirements. This methodology and pricing is already consistent across the NEM (apart from details of the price units which could be readily changed). It also provides a broad signal of future investment by encouraging larger loads to manage their demand peaks in order to reduce the cost of demand-based charges.</p> <p>The AEMC's new emphasis on price signals in recovering these components of revenue would suggest that there may need to be consideration of modification to the measurement on which charges are based. For example, to strengthen this signal, the demand measurement might be applied only to the maximum demand during the time period which will influence investment decisions, e.g., the defined peak periods on the network (either globally for the network or locally). This is a very different approach from that under the old Rules where such an option would clearly contradict the ACCC's view that these charges were not intended to influence behaviour.</p>

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	AER Question	ETNOF Position
Q16.	Are there any implementation issues which might affect the adoption of any of the postage stamp pricing structure options discussed?	ETNOF does not know of any such issues.
Q17.	To what extent would any of the postage stamp options disadvantage any group of market participants?	Charges based solely on energy or solely on demand will each disadvantage a (different) group of customers. For example, a large customer with a very flat load who currently pays these charges on a demand basis will see a significant increase in charges if only energy-based charges are permitted. This would occur despite the customer imposing no additional peak load on the network.
Q18.	If the options for the postage stamp pricing structures are not appropriate, practical, or create excessive additional implementation costs, what alternative postage stamp structures could be considered?	As noted above, Option 1 which reflects the existing practice, is certainly practical. An important secondary issue with demand-based approaches based on a nominated or negotiated demand level is the need for a penalty if the customer exceeds the nominated level. Without a penalty, customers have a strong incentive to “game” the nomination. The penalty therefore needs to be set at a level which is sufficient to fully remove that incentive. TNSPs have adopted a variety of approaches to this, but in principle, AER could set a standard penalty to apply consistently in all regions.
Q19.	If a capacity based price structure was used to recover costs associated with the adjusted non-locational component of <i>prescribed TUOS services</i> and <i>prescribed common transmission services</i> , is the use of kVA or MVA (as opposed to kW or MW) appropriate and practical?	See response to Question 14.

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	AER Question	ETNOF Position
Q20.	If the use of historical usage or demand data is required and is not available or the data has changed significantly would it be appropriate to use current data?	Yes. The only alternative to using current data in this situation is to use either an estimate or out-of-date data. Using current data until historical data is available is a preferred approach. This should be the standard approach for a new connection point.
Q21.	What additions or deletions should be made to the list of transmission asset types directly attributable to <i>prescribed entry services</i> ?	<p>Other additions may include assets which have been categorised under the former Rules as prescribed entry services. This may include additional assets including radial lines from the substation to the agreed connection point at the generator, for example.</p> <p>Note that land, buildings and fences forming part of a substation may be assigned proportionately to the primary equipment in the substation and thus only a share of the assets is ultimately assigned to entry assets.</p>
Q22.	What additions or deletions should be made to the list of transmission asset types directly attributable to <i>prescribed exit services</i> ?	See comments on Question 21
Q23.	Should a cost sharing mechanism be established for assets which are used as both <i>prescribed entry services</i> and <i>prescribed exit services</i> ?	Where there is more than one customer connected at a location and both customers make use of the same connection assets, the costs must be shared between the customers. ETNOF recommends that the sharing of costs should be based on agreement with customers, and if agreement cannot be reached, based on an objectively determined measure, such as maximum demand or generator name plate rating.
Q24.	What additions or deletions should be made to the list of transmission asset types directly attributable to <i>prescribed common transmission services</i> ?	ETNOF does not know of any such additions or deletions.

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	AER Question	ETNOF Position
Q25.	What additions or deletions should be made to the list of transmission asset types directly attributable to <i>prescribed TUOS services</i> ?	ETNOF does not know of any such additions or deletions.
Q26.	What information, associated with a pricing methodology, is likely to have confidentiality issues, and how can the information be presented to maximise transparency of the process in relation to these matters?	<p>ETNOF members support the AER's view that any information identified by a TNSP as confidential should not be publicly released.</p> <p>In particular, any information regarding the calculation of approved transmission price discounts that would allow identification of the discount rates charged to particular customers should not be publicly disclosed as this information is commercially sensitive for the customer.</p> <p>Where a TNSP has developed specialised software or systems for the data management required in price setting that software or systems should not be required to be publicly disclosed, recognising that there may be significant intellectual property in such systems.</p>