

SP AusNet compliance with relevant new Rules

New Rules	SP AusNet Compliance Approach
6A.22 Terms used in Part J	
<p>6A.22.1 Aggregate annual revenue requirement (AARR)</p> <p>For the purposes of this Part J, the <i>aggregate annual revenue requirement (AARR)</i> for <i>prescribed transmission services</i> provided by a <i>Transmission Network Service Provider</i>, is the <i>maximum allowed revenue</i> referred to in clause 6A.3.1 adjusted:</p> <p>(1) in accordance with clause 6A.3.2, and</p> <p>(2) by subtracting the operating and maintenance costs expected to be incurred in the provision of <i>prescribed common transmission services</i>.</p>	<p>SP AusNet calculates is Maximum Allowed Revenue (MAR) as per Clause 6A.3.1.</p> <p>SP AusNet subtracts from the MAR the following operating and maintenance costs incurred in the provision of prescribe common transmission services:</p> <ul style="list-style-type: none"> ■ non-system operating costs; ■ system operation costs (switching centre); ■ rebates; and ■ the easement land tax
<p>6A.22.2 Annual service revenue requirement (ASRR)</p> <p>For the purposes of this Part J, the <i>annual service revenue requirement (ASRR)</i> for a <i>Transmission Network Service Provider</i> is the portion of the <i>AARR</i> for <i>prescribed transmission services</i> provided by a <i>Transmission Network Service Provider</i> that is allocated to each <i>category of prescribed transmission services</i> for that provider and that is calculated by multiplying the <i>AARR</i> by the <i>attributable cost share</i> for that category of services in accordance with the principles in clause 6A.23.2.</p>	<p>SP AusNet multiplies the AARR by the attributable cost share to calculate the ASRR.</p>

<p>6A.22.3 Meaning of attributable cost share</p> <p>(a) For a Transmission Network Service Provider for a category of prescribed transmission services, the attributable cost share for that provider for that category of services must, subject to any adjustment required under the principles in clause 6A.23.2, substantially reflect the ratio of:</p> <ol style="list-style-type: none"> (1) the costs of the <i>transmission system</i> assets directly attributable to the provision of that <i>category of prescribed transmission services</i>; to (2) the total costs of all the <i>Transmission Network Service Provider's transmission system</i> assets directly attributable to the provision of <i>prescribed transmission services</i>. <p>(b) The costs of the transmission system assets referred to in paragraph (a) refers to optimised replacement cost or to an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the Transmission Network Service Provider.</p>	<p>For pricing purposes, SP AusNet has constructed an asset base valued using the optimised replacement cost (ORC). Essentially this is the undepreciated Regulatory Asset Base as established in the ACCC 2002 Revenue Decision. The asset base consists of a spreadsheet of assets with their ORC values at the primary bay level. Information includes location and asset description. Assets can be linked to asset allocation diagrams via a reference number.</p> <p>As per this clause, each asset is allocated to a category of services allowing the ratio of ORC for a category of prescribed transmission services to the total ORC value of all prescribed transmission services to be calculated.</p>
<p>6A.22.4 Meaning of attributable connection point cost share</p> <p>(a) For a Transmission Network Service Provider for prescribed entry services and prescribed exit services, the attributable connection point cost share for that provider for each of those categories of services must substantially reflect the ratio of:</p> <ol style="list-style-type: none"> (1) the costs of the transmission system assets directly attributable to the provision of prescribed entry services or prescribed exit services, respectively, at a transmission network connection point; to (2) the total costs of all the Transmission Network Service Provider's transmission system assets directly attributable to the provision of prescribed entry services or prescribed exit 	<p>As per this clause, each asset is allocated to a connection point (customer) allowing the ratio of ORC for a connection point to the total ORC value of all exit or entry transmission services to be calculated.</p> <p>The SP AusNet Pricing Methodology outlines the approach taken when an asset is shared between more than one customer at an exit or entry point.</p> <p>Customers have access to the allocation diagrams at their connection points allow verification of their asset allocation.</p> <p>Customers have agreed to the allocation methodology for shared assets.</p>

<p>services, respectively.</p> <p>(b) The costs of the transmission system assets referred to in paragraph (a) refers to optimised replacement cost or to an accepted equivalent to optimised replacement cost that is referable to values contained in the accounts of the Transmission Network Service Provider.</p>	
<p>6A.23 Pricing Principles for Prescribed Transmission Services</p>	
<p>6A.23.1 Introduction</p> <p>(a) This rule 6A.23 sets out the principles that constitute the <i>Pricing Principles for Prescribed Transmission Services</i>.</p> <p>(b) The <i>Pricing Principles for Prescribed Transmission Services</i> are given effect by <i>pricing methodologies</i>.</p>	
<p>6A.23.2 Principles for the allocation of the AARR to categories of prescribed transmission services</p> <p>The <i>aggregate annual revenue requirement</i> for <i>prescribed transmission services</i> provided by a <i>Transmission Network Service Provider</i> is to be allocated in accordance with the following principles:</p> <p>(a) The AARR for a <i>Transmission Network Service Provider</i> must be allocated to each <i>category of prescribed transmission services</i> in accordance with the <i>attributable cost share</i> for each such category of services.</p> <p>(b) This allocation results in the <i>annual service revenue requirement (ASRR)</i> for that category of services.</p> <p>(c) The allocation of the AARR must be such that:</p> <ol style="list-style-type: none"> (1) every portion of the AARR is allocated; and (2) the same portion of the AARR is not allocated more than once. 	<p>This clause can only be satisfied by satisfying the definitions outlined in Clause 6A.23.2. This is outlined above.</p> <p>The AARR for prescribed transmission services and prescribed common transmission services are passed to VENCORP (with adjustments as per Clause 6A.23.3) as a lump sum. VENCORP performs the allocation to customers of charges for these services.</p> <p>The allocation performed using the asset base spreadsheets described above ensures every portion of the AARR is allocated and that it is allocated only once.</p>

<p>(d) Where, as a result of the application of the attributable cost share, a portion of the AARR would be attributable to more than one category of prescribed transmission services, that attributable cost share is to be adjusted and applied such that any costs of a transmission system asset that would otherwise be attributed to the provision of more than one category of prescribed transmission services, is allocated as follows:</p> <ol style="list-style-type: none"> (1) to the provision of prescribed TUOS services, but only to the extent of the stand-alone amount for that category of prescribed transmission services; (2) if any portion of the costs of a transmission system asset is not allocated to prescribed TUOS services, under subparagraph (1), that portion is to be allocated to prescribed common transmission services, but only to the extent of the stand-alone amount for that category of prescribed transmission services; (3) if any portion of the costs of a transmission system asset is not attributed to prescribed transmission services under subparagraphs (1) and (2), that portion is to be attributed to prescribed entry services and prescribed exit services. 	<p>The allocation performed using the asset base spreadsheets described above ensures this three step process is followed when assigning assets that supply more than one prescribed service such as land and station infrastructure to a category.</p>
<p>6A.23.3 Principles for the allocation of the ASRR to transmission network connection points</p> <p>The <i>annual service revenue requirement</i> for a <i>Transmission Network Service Provider</i> for each <i>category of prescribed transmission services</i> is to be allocated to each <i>transmission network connection point</i> in accordance with the following principles:</p> <ol style="list-style-type: none"> (a) The whole of the ASRR for prescribed entry services is to be allocated to transmission network connection points in accordance with the attributable connection point cost share for prescribed entry services that are provided by the Transmission Network 	<p>The AARR for prescribed transmission services and prescribed common transmission services are passed to VENCORP (with adjustments as per Clause 6A.23.3) as a lump sum. VENCORP performs the allocation to customers of charges for these services.</p> <p>SP AusNet function.</p>

<p>Service Provider at that connection point.</p> <p>(b) The whole of the ASRR for prescribed exit services is to be allocated to transmission network connection points in accordance with the attributable connection point cost share for prescribed exit services that are provided by the Transmission Network Service Provider at that connection point.</p> <p>(c) Subject to paragraph (e), the ASRR for prescribed TUOS services is to be allocated to transmission network connection points of Transmission Customers in the following manner:</p> <p>(1) a share of the ASRR (the locational component) is to be adjusted by subtracting the estimated auction amounts expected to be distributed to the Transmission Network Service Provider under clause 3.18.4 from the connection points for each relevant directional interconnector and this adjusted share is to be allocated as between such connection points on the basis of the estimated proportionate use of the relevant transmission system assets by each of those customers, and the CRNP methodology and modified CRNP methodology represent two permitted means of estimating proportionate use;</p> <p>(2) the remainder of the ASRR (the pre-adjusted non-locational component) is to be adjusted:</p> <p>(i) by subtracting the amount (if any) referred to in paragraph (e);</p> <p>(ii) by subtracting or adding any remaining <i>settlements residue</i> (not being <i>settlements residue</i> referred to in sub paragraph (1) but including the portion of <i>settlements residue</i> due to <i>intraregional loss factors</i>) which is expected to be distributed or recovered (as the case may be) to or from the <i>Transmission Network Service Provider</i> in accordance with clause 3.6.5(a);</p> <p>(iii) for any <i>over-recovery amount</i> or <i>under-recovery amount</i>;</p>	<p>SP AusNet function.</p> <p>VENCorp function to calculate and recover TUOS charges but SP AusNet must make some adjustments to the annual lump sum charged to VENCorp under this clause (highlighted below). Not relevant to SP AusNet, VENCorp function.</p> <p>Not relevant to SP AusNet, VENCorp function.</p> <p>Not relevant to SP AusNet, VENCorp function.</p> <p>VENCorp function to recover TUOS charges but SP AusNet must include any over or under-recovery amount in the annual lump sum charged to VENCorp.</p>
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<p>(iv) for any amount arising as a result of the application of clause 6A.23.4(h) and (i); and</p> <p>(v) for any amount arising as a result of the application of prudent discounts in clause 6A.26.1(d)-(g), (the adjusted non-locational component) and this adjusted non-locational component is to be recovered in accordance with clause 6A.23.4.</p> <p>(d) The shares of the ASRR referred to in paragraph (c) are to be either:</p> <p>(1) a 50% share allocated to the locational component referred to in subparagraph (c)(1) and a 50% share allocated to the pre-adjusted non-locational component referred to in subparagraph (c)(2); or</p> <p>(2) an alternative allocation to each component, that is based on a reasonable estimate of future network utilisation and the likely need for future transmission investment, and that has the objective of providing more efficient locational signals to Market Participants, Intending Participants and end-users.</p> <p>(e) If the result of the adjustment referred to in paragraph (c)(1) would be a negative locational component for the connection points of the relevant directional interconnector then the locational component will be deemed to be zero and the absolute value of that negative amount is to be subtracted from the pre-adjusted non-locational component under paragraph (c)(2)(i).</p> <p>(f) The ASRR for prescribed common transmission services and the operating and maintenance costs incurred in the provision of those services, are to be recovered through prices charged to Transmission Customer and Network Service Provider transmission network connection points set in accordance with clause 6A.23.4.</p>	<p>Not relevant to SP AusNet, VENCORP function.</p> <p>Not relevant to SP AusNet, VENCORP function.</p> <p>Not relevant to SP AusNet, VENCORP function.</p> <p>Not relevant to SP AusNet, VENCORP function.</p> <p>VENCORP function to recover prescribed common transmission services charges but SP AusNet must include common services maintenance in the annual lump sum charged to VENCORP.</p>
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6A.23.4 Price structure principles

- (a) A Transmission Network Service Provider is to develop separate prices for the recovery of the ASRR in accordance with the principles set out in paragraphs (b)-(i).
- (b) Separate prices are to be developed for each category of prescribed transmission services, being:
 - (1) prescribed entry services;
 - (2) prescribed exit services;
 - (3) prescribed common transmission services;
 - (4) prescribed TUOS services – locational component; and
 - (5) prescribed TUOS services – the adjusted non-locational component.
- (c) Prices for prescribed entry services and prescribed exit services must be a fixed annual amount.
- (d) Prices for prescribed common transmission services must be on a postage stamp basis.
- (e) Prices for recovering the locational component of providing prescribed TUOS services must be based on demand at times of greatest utilisation of the transmission network and for which network investment is most likely to be contemplated.
- (f) Subject to paragraphs (g), (h), and (i), prices for recovering the locational component of the ASRR for the provision of prescribed TUOS services must not change by more than 2 per cent per annum compared with the load weighted average price for this component for the relevant region.
- (g) The change in price referred to in paragraph (f) may exceed 2 per cent per annum if, since the last time prices were set:
 - (1) the load at the connection point has materially changed;
 - (2) in connection with that change, the Transmission Customer requested a renegotiation of its *connection agreement* with the *Transmission Network Service Provider*; and

SP AusNet supplies all information required for VENCORP to perform its functions under this clause including all asset allocation spreadsheets.

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<p>(3) the AER has approved the change of more than 2 per cent per annum.</p> <p>(h) If, in the case of an increase in price, the application of paragraph (f) would result in the under-recovery of part of the locational component of the ASRR in charges for prescribed TUOS services, any shortfall may be recovered by adjusting upward the charges that would otherwise apply in respect of the adjusted non-locational component of prescribed TUOS services.</p> <p>(i) If, in the case of a decrease in price, the application of paragraph (f) would result in over-recovery of the locational component of the ASRR through charges for <i>prescribed TUOS services</i>, any over-recovery must be offset by adjusting downward the charges that would otherwise apply in respect of the adjusted non-locational component of <i>prescribed TUOS services</i>.</p> <p>(j) Prices for recovering the adjusted non-locational component of prescribed TUOS services must be on a postage-stamp basis.</p>	<p>Not relevant to SP AusNet, VENCORP function.</p> <p>Not relevant to SP AusNet, VENCORP function.</p> <p>Not relevant to SP AusNet, VENCORP function.</p>
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Compliance with relevant old Rules

<i>Old Rules</i>	<i>SP AusNet Compliance Approach</i>
6.3 Step 1 - Allocation of Aggregate Annual Revenue Requirement	Superceded by Clause 6A.23 of the new rules.
6.4 Step 2 - Allocation of Transmission Costs	Superceded by Clause 6A.23 of the new rules.
6.5 Step 3 - Transmission Service Prices	Superceded by Clause 6A.23 of the new rules.
6.6 Transmission Network Service Provider Prudential Requirements	Not relevant to Pricing Methodology.

6.7 Billing and Settlements Process

This clause describes the manner in which *Generators* and *Transmission Customers* are billed for *transmission service* and how payments for *transmission service* are settled.

6.7.1 Billing for transmission services

- (a) For each connection point on its transmission networks, a Transmission Network Service Provider must calculate the transmission service charges payable by Generators, Transmission Customers or other persons with connection points on the transmission network in accordance with the transmission service prices published under clause 6.5.7.
- (b) A Transmission Network Service Provider must bill Transmission Network Users for transmission service as follows:
- (1) Generators:
- (i) by applying the entry charge as a fixed annual charge to each Generator;
 - (ii) by billing in accordance with the negotiated use of system and generator access charges determined under clause 6.5.3; and
 - (iii) by billing in accordance with the prices for services provided to Generators by new transmission network investment determined under clause 6.4.3A.
- (2) Transmission Customers and other persons with connection points on the transmission network must be billed in accordance with the relevant method or methods adopted by the relevant Transmission Network Service Provider for determining prices under clause 6.5.
- (c) Where the billing for a particular financial year is based on quantities which are undefined until after the commencement of the financial year, charges must be estimated from the previous year's

Superseded by Clause 6A.23 of the new rules.

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VENCorp function, not relevant to SP AusNet Pricing Methodology.

billing quantities with a reconciliation to be made when the actual billing quantities are known and, where the previous year's billing quantities are unavailable or no longer suitable, nominated quantities may be used as agreed between the parties.

- (d) Where transmission service charges are to be determined from metering data, these charges must be based on kW or kWh obtained from the metering data managed by NEMMCO.

6.7.2 Minimum information to be provided in network service bills

- (a) The following is the minimum information that must be provided with a bill for a connection point issued by a Transmission Network Service Provider directly to a Generator, Transmission Customer or other person with a connection point on the transmission network:
- (1) the connection point identifier;
 - (2) the dates on which the billing period starts and ends;
 - (3) the identifier of the published transmission service price from which the connection point charges are calculated; and
 - (4) measured quantities, billed quantities, agreed quantities, prices and amounts charged for each component of the total transmission service account.
- (b) In addition to the minimum information requirements set out in clause 6.7.2(a), a bill for a connection point issued by a Transmission Network Service Provider directly to a Transmission Customer must separately identify the Customer TUOS usage charge, Customer TUOS general charge and common service charge components of the total amount levied in relation to transmission use of system services in the billing period for that connection point.
- (c) A Transmission Network Service Provider must also provide a Transmission Customer billed by the Transmission Network Service Provider in accordance with this clause 6.7 with

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SP AusNet issued bills provide this information where relevant.

VENCorp function, not relevant to SP AusNet Pricing Methodology.

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<p>information on the methodology used to calculate the Transmission Customer's Customer TUOS usage charges and Customer TUOS usage prices, where the Transmission Customer requests this information.</p> <p>(d) For the avoidance of doubt, information which is required to be provided to a Transmission Customer in accordance with clause 6.7.2(c) does not include confidential information provided to the Transmission Network Service Provider by another person.</p> <p>6.7.3 Settlement between Network Service Providers</p> <p>6.7.4 Financial transfers between Transmission Network Service Providers</p> <p>6.7.5 Obligation to pay</p>	<p>VENCorp function, not relevant to SP AusNet Pricing Methodology.</p> <p>Not relevant to Pricing Methodology.</p> <p>Not relevant to Pricing Methodology.</p> <p>Not relevant to Pricing Methodology.</p>
<p>6.8 Transmission Network Pricing Software</p>	<p>VENCorp function, not relevant to SP AusNet Pricing Methodology.</p>
<p>6.9 Data Required for Transmission Network Pricing</p>	<p>Not relevant to Pricing Methodology. Customers, SP AusNet and VENCorp must comply with this section of the Rules.</p>