

**Call for submissions:**

**Proposed Negotiated Transmission Service Criteria**

**for ElectraNet**

**June 2007**



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## Glossary and definitions

AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
NER	National Electricity Rules
NTSC	Negotiated Transmission Service Criteria
NTSP	Negotiated Transmission Service Principles
TNSP	Transmission Network Service Provider

In this paper, the words and phrases presented in italics *such as this* have the meaning given to them in the National Electricity Rules (NER).

In this paper, any reference to clauses, such as ‘clause 6A.9.1’, is a reference to clauses of the NER unless otherwise stated.

# 1 Introduction

Under Chapter 6A of the NER, the Australian Energy Regulator (AER) must make *transmission determinations* for *Transmission Network Service Providers* (TNSPs) in respect of *prescribed services* and *negotiated transmission services*.<sup>1</sup>

Clause 6A.2.2(3) of the NER states that a *transmission determination* made by the AER must include a determination specifying the *negotiated transmission service criteria* (NTSC) that will apply to the TNSP's provision of *negotiated transmission services*.

The AER's *transmission determination* must set out the NTSC specific to the TNSP<sup>2</sup> that are to be applied by the TNSP in negotiating the *terms and conditions of access* for *negotiated transmission services* and *access charges*. The NTSC will also be used by a *commercial arbitrator* in resolving any dispute between a TNSP and a person wishing to receive a *negotiated transmission service* in relation to the *terms and conditions of access* for the service and *access charges* to be paid to, or by the TNSP.<sup>3</sup>

In determining the NTSC, clause 6A.11.3 of the NER requires the AER to publish proposed NTSC for consultation. In accordance with this requirement, Attachment 1 to this paper sets out the proposed NTSC for ElectraNet.

The AER will make a separate determination of ElectraNet's NTSC as a part of the *transmission determination* for ElectraNet. Interested parties are requested to review the proposed NTSC for ElectraNet and provide written submissions on the proposed NTSC or any relevant issues not discussed in the paper. These submissions will be taken into account in making the draft determination on the NTSC that will apply to ElectraNet.

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<sup>1</sup> National Electricity Rules, clause 6A.2.1

<sup>2</sup> National Electricity Rules, clause 6A.14.1(7)

<sup>3</sup> National Electricity Rules, clause 6A.9.4(a)

## 2 Consultation process

The AER will engage in the following consultation process:

- publish the proposed NTSC for ElectraNet and invite submissions by 17 August 2007
- consider submissions on the proposed NTSC for ElectraNet
- include the NTSC in ElectraNet's draft *transmission determination* and invite submissions
- consider submissions on the proposed NTSC for ElectraNet
- include the NTSC in ElectraNet's *transmission determination*

## 3 Invitation for written submissions

Interested parties are invited to make written submissions to the AER in relation to the proposed NTSC for ElectraNet outlined in Attachment 1 of this paper and, where possible, include examples which assist in clarifying aspects of the submission. Interested parties are also invited to make written submissions on relevant matters not canvassed in this paper.

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will therefore be treated as public documents unless otherwise requested. Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission, in addition to a confidential one.

All non-confidential submissions will be placed on the AER's website.

Any submissions on the proposed NTSC for ElectraNet must be received by close of business 17 August 2007 and should be addressed to:

Mr Mike Buckley  
General Manager—Network Regulation North  
Australian Energy Regulator  
GPO Box 1199  
Dickson ACT 2602

Email: [aer inquiry@ aer.gov.au](mailto:aer inquiry@ aer.gov.au)

## 4 Negotiated transmission service criteria

There are three types of *negotiated transmission services* that a *service applicant* may request from a TNSP. These services include:

- connection services including entry, exit and TNSP to TNSP connection services
- use of system services supplied by the shared transmission network that exceed or are below the networks specified performance standard under any legislation of a participating jurisdiction
- use of system services relating to augmentation or extension for loads of the transmission network.<sup>4</sup>

Under Chapter 6A *negotiated transmission services* are regulated under a negotiate/arbitrate regime. Unlike *prescribed transmission services* these services are not subject to the upfront price controls incorporated in *revenue determinations*, but are the result of commercial agreement. Failing agreement, the *terms and conditions of access* and/or *access charges* are determined by commercial arbitration.

## 5 AER's proposed negotiated transmission service criteria

In determining proposed NTSC, the AER has considered the *negotiated transmission service principles* set out in clause 6A.9.1, and developed criteria that are consistent with, and give effect to those principles in accordance with clause 6A.9.4(b) of the NER.

Submissions are invited on the suitability of these core criteria and any additional or different criteria that should apply to ElectraNet in order to meet the requirements of the NER and the principles set out in clause 6A.9.1. Submissions received will be taken into account in tailoring the NTSC to the extent necessary and appropriate for ElectraNet.

This approach provides ElectraNet and their customers with certainty by setting out a common basis for determination of the NTSC, while still providing ElectraNet and their customers flexibility to take into account any specific circumstances.

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<sup>4</sup> AEMC, *Rule Determination, National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006 No. 18*, 16 November 2006, p. 36.

# Attachment 1: Proposed negotiated transmission service criteria

## National Electricity Market 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 *market* 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*, including the price that is to be charged for the provision of that service and any *access charges*, should promote the achievement of the *market* objective.
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 6 and 7, 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.
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.
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)) on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in rule 5.4A(h)-(j) where an event referred to in those paragraphs occurs.