

Decision

Statement of Principles for the Regulation of Transmission Revenues

Transmission Ring-Fencing Guidelines

Reporting Guidelines

Date: 23 October 2002

File no: C2001/1053

Commissioners:

Fels
Martin
Jones
Bhojani
McNeill

1. Introduction

Part G of Chapter 6 of the National Electricity Code (the Code) requires the Australian Competition and Consumer Commission (ACCC) to develop Transmission Ring-Fencing Guidelines. The ACCC published its Transmission Ring-Fencing Guidelines on 15 August 2002.

The Transmission Ring-Fencing Guidelines require Transmission Network Service Providers (TNSPs) to provide certain financial statements and compliance reports at intervals determined by the ACCC and in accordance with any guidelines issued by the ACCC. The ACCC issued for comment (Draft) Reporting Guidelines under the Transmission Ring-Fencing Guidelines on 15 August 2002. No submissions were received in response to the Draft. This document sets out the (Final) Reporting Guidelines made by the ACCC on 23 October 2002.

2. Transmission Ring-Fencing Guidelines: Reporting Obligations

2.1 Accounting Requirements

Under clauses 7.3, 7.4 and 7.5 of the Transmission Ring-Fencing Guidelines, a TNSP that provides ring-fenced services must:

- establish and maintain a separate set of accounts for (a) the provision of ring-fenced services; and (b) its entire business;
- allocate any costs that are shared between the provision of ring-fenced services and any other activity; and
- if the TNSP is part of an economic entity, ensure that a separate set of accounts for the provision of ring-fenced services by that economic entity is established and maintained.

The accounts must be prepared in accordance with any guidelines that apply to the TNSP under clause 8 of the Transmission Ring-Fencing Guidelines. Clause 8 provides that the ACCC may publish accounting guidelines or, if the ACCC has not published any such guidelines, the TNSP may prepare accounting guidelines for approval by the ACCC. Under clause 14, the accounts referred to in clauses 7.3, 7.4 and 7.5 must be provided to the ACCC at least once a year or at reasonable intervals determined by the ACCC.

2.2 Compliance Procedures

Clause 12 of the Transmission Ring-Fencing Guidelines requires a TNSP to establish and maintain appropriate internal procedures to ensure it complies with its obligations under the Guidelines. Under clause 13, a TNSP must report to the ACCC, at reasonable intervals determined by the ACCC:

- describing the measures taken by the TNSP to ensure compliance with its obligations under the Transmission Ring-Fencing Guidelines; and
- providing an accurate assessment of the effect of those measures.

3. Reporting Guidelines: ACCC's Approach

Under clause 6.2.5 of the Code, a TNSP must submit certified annual financial statements to the ACCC in a form and by a date determined by the ACCC. The statements may be used by the ACCC to, amongst other things, monitor compliance with the revenue cap, assess the allocation of costs, and determine future revenue caps. In addition, the ACCC may require the TNSP to provide other information or undertake an audit.

On 5 June 2002, the ACCC released its *Statement of Principles for the Regulation of Transmission Revenues: Information Requirements Guidelines* (Information Requirements Guidelines). The Information Requirements Guidelines set out a TNSP's reporting obligations under clause 6.2.5 of the Code.

As indicated in the introduction to the Transmission Ring-Fencing Guidelines, the ACCC does not, at this stage, propose to publish accounting or auditing guidelines that impose obligations in addition to those applying to TNSPs under clause 6.2.5 of the Code. In preparing the Reporting Guidelines, the ACCC has also considered the matters set out in clause 6.20.2(d) of the Code. Accordingly, the objective of the Reporting Guidelines under clauses 8, 13 and 14 of the Transmission Ring-Fencing Guidelines is to ensure that the obligations imposed on TNSPs under clauses 7.3, 7.4, 7.5 and 13 of the Transmission Ring-Fencing Guidelines are consistent with the obligations under the Information Requirements Guidelines.

Annex A – Reporting Guidelines

Guidelines

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Reporting Guidelines under the Transmission Ring-Fencing Guidelines

Background

1. Clause 6.20.1 of the National Electricity Code (the *Code*) requires all *Transmission Network Service Providers* to comply with the *Transmission Ring-Fencing Guidelines* prepared in accordance with clause 6.20.2 of the *Code*.
2. Clause 6.20.2(a) of the *Code* requires the Australian Competition and Consumer Commission (ACCC) to develop the *Transmission Ring-Fencing Guidelines*.
3. On 15 August 2002, the ACCC published its *Transmission Ring-Fencing Guidelines*.
4. These Reporting Guidelines are made under clauses 8, 13 and 14 of the *Transmission Ring-Fencing Guidelines*.
5. The ACCC published these Reporting Guidelines on 29 October 2002.

Preliminary

6. In these Reporting Guidelines, unless the contrary intention appears, italicised expressions have the meaning given to them in:
 - (a) this clause 6; or
 - (b) if they are not defined in this clause 6, the meaning given to them in the *Transmission Ring-Fencing Guidelines*; or
 - (c) if they are not defined in this clause 6 nor in the *Transmission Ring-Fencing Guidelines*, the meaning given to them in the *Code*.

Note: To avoid doubt, *Code* means the National Electricity Code as in force from time to time.

Information Requirements Guidelines means:

- (a) the publication released by the ACCC on 5 June 2002 pursuant to clause 6.2.5 of the *Code*, entitled 'Statement of Principles for the Regulation of Transmission Revenues: Information Requirements Guidelines' as amended from time to time; and
- (b) any additional obligations imposed on the relevant *TNSP* by the ACCC, from time to time, pursuant to clause 6.2.5 of the *Code*.

Note: As at the date the Reporting Guidelines were released, the ACCC had not imposed any additional obligations on any *TNSP* under clause 6.2.5 of the *Code*.

7. In these Reporting Guidelines:
- (a) words in the singular include the plural; and
 - (b) words in the plural include the singular.

Financial Accounts

8. (a) This clause 8 is made pursuant to clause 8 of the *Transmission Ring-Fencing Guidelines*.
- (b) This clause 8 applies to a *TNSP* on and from the *relevant commencement date*.
- (c) A *TNSP* that is required to prepare documents in accordance with clauses 7.3, 7.4 and/or 7.5 of the *Transmission Ring-Fencing Guidelines*, must prepare those documents in accordance with the *Information Requirements Guidelines* to the extent that the *Information Requirements Guidelines* apply to that *TNSP* under clause 6.2.5 of the *Code*.
9. (a) This clause 9 is made pursuant to clause 14 of the *Transmission Ring-Fencing Guidelines*.
- (b) This clause 9 applies to a *TNSP* on and from the *relevant commencement date*.
- (c) Unless the *ACCC* specifies otherwise, a *TNSP* that is required to prepare documents in accordance with clauses 7.3, 7.4 and/or 7.5 of the *Transmission Ring-Fencing Guidelines*, must provide those documents to the *ACCC* at the same time that it provides information to the *ACCC* in accordance with sections 3.9 and 6.1 of the *Information Requirements Guidelines*.

Note 1: Under section 6.1 of the *Information Requirements Guidelines*, a *TNSP* is required to deliver the information to the *ACCC* no later than four months after a 'regulatory accounting date' (defined as the end date of a 'regulatory accounting period' being the period on which a single set of regulatory financial statements report). Under section 3.9 of the *Information Requirements Guidelines*, unless the *ACCC* specifies otherwise, a *TNSP's* regulatory accounting period corresponds to the general purpose financial statements prepared in accordance with the *Corporations Act* and Australian Accounting Standards.

Note 2: In deciding whether to release publicly any information provided by a *TNSP* to the *ACCC* in accordance with clauses 7.3, 7.4 and/or 7.5 of the *Transmission Ring-Fencing Guidelines*, the *ACCC* will treat that information in the same way as it treats information provided in accordance with the *Information Requirements Guidelines*.

Compliance Procedures

10. (a) This clause 10 is made pursuant to clause 13 of the *Transmission Ring-Fencing Guidelines*.
- (b) This clause 10 applies to a *TNSP* on and from the *relevant commencement date*.

- (c) Unless the *ACCC* specifies otherwise, a *TNSP* must provide the report referred to in clause 13 of the *Transmission Ring-Fencing Guidelines*, to the *ACCC* at the same time that it provides information to the *ACCC* in accordance with sections 3.9 and 6.1 of the *Information Requirements Guidelines*.

Note: See Note 1 to clause 9(c) of these Reporting Guidelines.