

# Combined Proposal 2024-2029

## Attachment 19 Negotiated service framework and criteria



**Outline:** This attachment to TasNetworks' Combined Proposal sets out the procedure to be followed during negotiations between TasNetworks and any person (Service Applicant) who wishes to receive a negotiated distribution service from TasNetworks, as to the terms and conditions of access for provision of the service during the 2024-2029 regulatory control period.

## Note

This attachment forms part of TasNetworks' Combined Proposal for the 2024-2029 regulatory control period and should be read in conjunction with the other parts of the proposal. TasNetworks' Combined Proposal is made up of the documents and attachments listed below, as well as the supporting documents that are listed in Attachment 23.

Document	Description
	Combined Proposal overview
Attachment 1	Customer and stakeholder engagement summary
Attachment 2	Annual revenue requirement
Attachment 3	Regulatory asset base
Attachment 4	Rate of return
Attachment 5	Regulatory depreciation
Attachment 6	Capital expenditure
Attachment 7	Contingent projects
Attachment 8	Operating expenditure
Attachment 9	Corporate income tax
Attachment 10	Efficiency benefit sharing scheme
Attachment 11	Capital expenditure sharing scheme
Attachment 12	Service target performance incentive scheme
Attachment 13	Demand management incentives and allowance
Attachment 14	Customer service incentive scheme
Attachment 15	Classification of services
Attachment 16	Control mechanisms
Attachment 17	Pass through events
Attachment 18	Alternative control services
> Attachment 19	<b>Negotiated services framework and criteria</b>
Attachment 20	Distribution connection pricing policy
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# 19 Negotiated services framework and criteria

## 19.1 Introduction

The National Electricity Rules (**NER**) require each distribution network service provider (**DNSP**) to prepare a negotiating framework which sets out the procedure to be followed during negotiations with any person (**Service Applicant**) who wishes to receive a negotiated distribution service from that provider, as to the terms and conditions of access for provision of the service (NER clause 6.7.5(a)).

The negotiating framework must comply with and be consistent with:

- (a) the applicable requirements of the relevant distribution determination applying to the DNSP (NER clause 6.7.5(b))
- (b) the minimum requirements for a negotiating framework as set out in clause 6.7.5(c) of the NER.

This document sets out TasNetworks' negotiating framework and has been prepared by TasNetworks in accordance with its obligations under clause 6.7.5 of the NER. It replaces the previous Negotiation Framework 2019-2024.

It is not anticipated that TasNetworks will provide any negotiated distribution services during the 2024-2029 regulatory control period. However, any negotiations with Service Applicants regarding negotiated distribution services provided by TasNetworks will be undertaken in accordance with this negotiating framework.

## 19.2 Definitions

A reference to any law or legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision.

In this negotiating framework the words in italics have the meaning given to them in:

- (a) this definitions section
- (b) if not defined in this definitions section, the National Electricity Law (**NEL**)<sup>1</sup> and the NER.

### 19.2.1 Definition of a negotiated distribution service

According to the NER, a negotiated distribution service is a distribution service that is a negotiated network service within the meaning of section 2C of the NEL:

A negotiated network service is an electricity network service-

- (a) that is not a direct control network service; and
- (b) that-
  - (i) the Rules specify as a negotiated network service; or
  - (ii) if the Rules do not do so, the AER specifies as a negotiated network service in a distribution determination or transmission determination.

<sup>1</sup> The National Electricity Law set out in the schedule to the National Electricity (South Australia) Act 1996 (SA) and applied in each participating jurisdiction, which includes Tasmania

## 19.2.2 Other definitions

The following definitions apply in this negotiating framework:

<b>AEMO</b>	Australian Energy Market Operator.
<b>AER</b>	Australian Energy Regulator.
<b>Business day</b>	A day other than a Saturday or Sunday or a state-wide public holiday appointed under the <i>Statutory Holidays Act 2000 (Tas)</i> and 27, 28, 29, 30 and 31 December.
<b>Commercial information</b>	<p>Does not include Confidential Information provided to either party by another person, and will include, at a minimum, the following classes of information in relation to a Service Applicant, where applicable:</p> <ul style="list-style-type: none"> <li>• details of corporate structure, financial details relevant to creditworthiness and commercial risk and ownership of assets</li> <li>• technical information relevant to the application for a negotiated distribution service</li> <li>• financial information relevant to the application for a negotiated distribution service</li> <li>• details of an application’s compliance with the NER or any law, standard or guideline.</li> </ul>
<b>Confidential information</b>	<p>Information held by either party that is, by its nature confidential, is marked confidential or the receiving party knows or ought to know is confidential, and specifically includes:</p> <ul style="list-style-type: none"> <li>• information relating to or about the business affairs and operations of TasNetworks</li> <li>• Commercial Information and Requisite Information provided by TasNetworks to a Service Applicant pursuant to clause 19.6 of this negotiating framework</li> <li>• information provided to TasNetworks by the Service Applicant pursuant to section 19.7 of this negotiating framework</li> <li>• trade secrets, information, ideas, concepts, know-how, technology, processes and knowledge and the like provided to a party, or obtained by, the other party (including but not limited to in relation to a party, all information reports, accounts or data relating to that party’s business affairs, finances, properties and methods of operations, regardless of the form in which it is recorded or communicated).</li> </ul>
<b>Disclosing party</b>	Has the meaning provided in section 19.8 of this negotiating framework.
<b>Distribution Network User</b>	Distribution Customer or an Embedded Generator as defined by the NER.
<b>NEL</b>	National Electricity (Tasmania) Law pursuant to the <i>Electricity – National Scheme (Tasmania) Act 1999</i> .
<b>Regulatory control period</b>	A period for which TasNetworks is subject to a control mechanism imposed by a distribution determination, as defined by the NER.
<b>Requisite Information</b>	Has the meaning provided in section 19.6 of this negotiating framework.
<b>NER</b>	National Electricity Rules made under Part 7 of the NEL as amended from time to time in accordance with that Part 7.
<b>Service Applicant</b>	A person who asks TasNetworks for access to a negotiated distribution service, as defined by the NER.
<b>TasNetworks</b>	Tasmanian Networks Pty Ltd (ABN 24 167 357 299).
<b>Terms and conditions of access</b>	The terms and conditions described in clause 6.1.3 of the NER (for access to a distribution service), as defined by the NER.

### 19.2.3 References

This negotiating framework should be read in conjunction with the following documents:

- TasNetworks' Cost Allocation Methodology
- Chapters 5, 6, 10 and 11 of the NER.

## 19.3 Application of this Negotiating Framework

This negotiating framework applies to TasNetworks and a Service Applicant that has made an application in writing to TasNetworks for the provision of a negotiated distribution service. It sets out the procedure to be followed during negotiations as to the terms and conditions of access for the provision of that negotiated distribution service.

TasNetworks and any Service Applicant who requests to receive a negotiated distribution service from TasNetworks must comply with the requirements of this negotiating framework.

The requirements set out in this negotiating framework are in addition to any requirements or obligations contained in the NER or a relevant regulatory instrument of Tasmania. In the event of inconsistency between the NER or a relevant regulatory instrument of Tasmania and this negotiating framework, the NER or the relevant regulatory instrument will prevail.

Nothing in this negotiating framework or in the NER will be taken to impose an obligation on TasNetworks to provide any negotiated distribution service to the Service Applicant and TasNetworks has the sole discretion to determine if it will provide the negotiated distribution service to the Service Applicant at the conclusion of the negotiation process.

The Service Applicant acknowledges that TasNetworks is not liable for any loss or costs incurred or suffered by the Service Applicant (if any) as a result of TasNetworks not providing the negotiated distribution service at the conclusion of the negotiation process for such a service.

## 19.4 Request for negotiated distribution service

A Service Applicant who would like to receive a negotiated distribution service from TasNetworks must submit a written request to TasNetworks. A Service Applicant must nominate and provide contact details for a person that has authority to represent the Service Applicant in the negotiations. If the Service Applicant comprises more than one entity (for example, a partnership or joint venture) the nominated person must have authority to represent all the relevant entities.

TasNetworks will nominate and provide contact details for a person that has authority to represent TasNetworks in the negotiations.

## 19.5 Obligation to negotiate in good faith

TasNetworks and the Service Applicant must negotiate in good faith the terms and conditions of access to a negotiated distribution service sought by the Service Applicant.

## 19.6 Provision of Commercial Information to Service Applicant

The Service Applicant may request certain Commercial Information from TasNetworks that the Service Applicant reasonably requires to engage in effective negotiation with TasNetworks for the provision of the negotiated distribution service.

Subject to this section 19.6 of this negotiating framework, TasNetworks must provide all such Commercial Information a Service Applicant requests pursuant to this section 19.6 of this negotiating framework.

Subject to this section 19.6 of this negotiating framework, TasNetworks will use its reasonable endeavours to provide the Service Applicant with information requested under this section 19.6 of this negotiating framework within 10 business days of that request, or within such other time period as agreed by the parties.

TasNetworks reserves the right to withhold information requested by the Service Applicant pursuant to this section 19.6 of this negotiating framework if such information is legally privileged.

TasNetworks will identify and provide to the Service Applicant the following information, regardless of whether it has been requested by the Service Applicant (the Requisite Information):

- (a) reasonable costs and/or increase or decrease in costs of providing the negotiated network distribution service
- (b) a demonstration of how the charges for providing the negotiated distribution service reflect those costs and/or the cost increment or decrement
- (c) an appropriate arrangement for assessment and review of the charges and the basis on which they are made.

TasNetworks agrees to provide the Requisite Information to the Service Applicant within a timeframe agreed by the parties, but in any case, prior to or in conjunction with the provision of the negotiated distribution service offer.

## 19.7 Provision of Commercial Information to TasNetworks

TasNetworks may request the Service Applicant to provide TasNetworks with Commercial Information held by the Service Applicant that TasNetworks reasonably requires to enable it to engage in effective negotiation with that applicant for the provision of the negotiated distribution service.

For the purposes of this section 19.7, Commercial Information does not include:

- (a) Confidential Information provided to the Service Applicant by another person
- (b) Information that the Service Applicant is prohibited, by law, from disclosing to TasNetworks.

The Service Applicant must provide TasNetworks with the Commercial Information requested under this section 19.7 of this negotiating framework within 10 business days of that request, or within such other time period as agreed by the parties.

TasNetworks may request the Service Applicant to provide TasNetworks with any additional information, or to clarify any information, provided to TasNetworks pursuant to this section 19.7 of this negotiating framework, that it reasonably requires to enable it to engage in effective negotiation with that applicant for the provision of the negotiated distribution service.

The Service Applicant must use its reasonable endeavours to provide TasNetworks the information requested by TasNetworks under this section 19.7 of this negotiating framework within 10 business days of the date of the request, or within such other period as agreed by the parties.

The Service Applicant must use its reasonable endeavours to provide the following information to TasNetworks within 10 business days of the written request for the negotiated distribution service (Step 2 of Table 1 in section 19.9 of this negotiating framework) being submitted to TasNetworks, regardless of whether it is requested by TasNetworks under this section 19.7 of this negotiating framework:

- (a) technical information such as life cycle analysis, maintenance requirements, performance criteria, electrical specifications, or any other information relevant to the application for a negotiated distribution service
- (b) financial information such as technology costs, maintenance costs, or any other information relevant to the application for a negotiated distribution service
- (c) details of the compliance of the Service Applicant's application with any law, the NER, or applicable guidelines

- (d) details of the compliance of the Service Applicant's application with AS/NZ 3000:2007, or AS 1158 or any other applicable standard.

## 19.8 Confidentiality

A party receiving information pursuant to section 19.6 or 19.7 of this negotiating framework may be required by the party disclosing such information (the Disclosing Party) to enter into a confidentiality agreement on terms reasonably acceptable to both parties, before the disclosure of the Confidential Information to that person.

Notwithstanding this section 19.8 of this negotiating framework, a party in receipt of Confidential Information under this negotiating framework shall:

- (a) keep confidential the Confidential Information of the Disclosing Party
- (b) take all reasonable steps to protect the confidentiality and security of the Confidential Information of the Disclosing Party
- (c) without limiting the preceding paragraph, comply with the Disclosing Party's instructions regarding security of its Confidential Information
- (d) not, directly or indirectly, divulge, use, disclose or publish the Confidential Information of the Disclosing Party to any person
- (e) not make or allow to be made copies of, or extracts of, any part of the Confidential Information, except for the purpose of negotiating the terms and conditions of access to a negotiated distribution service sought by the Service Applicant.

Nothing in this section 19.8 of this negotiating framework restricts the disclosure of such information to the extent required by law.

Each party is liable for and indemnifies the other in respect of any claim, action, damage, loss, liability, cost, expenses or payment which the Disclosing Party suffers or incurs or is liable, as a result of a breach of this section 19.8.



## 19.9 Process and timeframes for progressing negotiations

The target timeframes for commencing, progressing and finalising negotiations for the supply of a negotiated distribution service are set out in Table 1 of this section 19.9.

TasNetworks and the Service Applicant must use reasonable endeavours to meet the timeframes set out in this section 19.9, subject to the Service Applicant providing the required information to TasNetworks pursuant to section 19.7 of this negotiating framework.

The timeframes set out in Table 1 of this negotiating framework may be varied by agreement between TasNetworks and the Service Applicant, and any such agreement must not be unreasonably withheld or delayed.

**Table 1: Target timeframes**

Step	Event	Target timeframe
1	Service Applicant makes written request to TasNetworks.	N/A
2	Service Applicant provides to TasNetworks the Commercial Information set out in section 19.7 of this negotiating framework.	No more than 10 business days after written request.
3	TasNetworks and the Service Applicant meet to discuss: <ul style="list-style-type: none"> <li>technical matters and the level of any technical evaluation required by TasNetworks</li> <li>a preliminary project plan setting out a reasonable period of time for technical evaluation, including pilot studies, and the commencement, progression and finalisation of negotiations.</li> </ul>	No more than 20 business days after written request.
4	TasNetworks and the Service Applicant finalise the preliminary project plan for commencing, progressing and finalising negotiations. The program may include, but is not limited to, milestones relating to: <ul style="list-style-type: none"> <li>the technical evaluation required by TasNetworks pursuant to step 3 of this Table 1</li> <li>the provision of information by TasNetworks pursuant to section 19.6 of this negotiating framework</li> <li>the provision of information by the Service Applicant pursuant to section 19.7 of this negotiating framework</li> <li>the notification and consultation with any affected Distribution Network Users in accordance with section 19.13 of this negotiating framework</li> <li>the notification by TasNetworks of the reasonable direct expenses incurred in processing the application to provide the negotiated distribution service pursuant to section 19.12 of this negotiating framework.</li> </ul>	No more than 30 business days after written request.
5	TasNetworks and the Service Applicant commence negotiations.	In accordance with negotiated timeframes.
6	TasNetworks provides to Service Applicant the Commercial Information set out in section 19.6 of this negotiating framework.	In accordance with negotiated timeframes.
7	TasNetworks completes its assessment of the Commercial Information, technical evaluations, and/or other relevant information.	In accordance with negotiated timeframes.
8	TasNetworks provides to Service Applicant the information set out in section 19.6 of this negotiating framework in accordance with section 19.6 of this negotiating framework.	In accordance with negotiated timeframes, but not subsequent to step 9 of this Table 1.
9	TasNetworks provides the Service Applicant with an offer to provide the negotiated distribution service.	In accordance with negotiated timeframes.
10	TasNetworks and the Service Applicant finalise negotiations.	In accordance with negotiated timeframes.

Any project plan finalised in accordance with step 4 of Table 1 of this section 19.9 may be modified from time to time by further agreement between TasNetworks and the Service Applicant, where such agreement must not be unreasonably withheld or delayed.



TasNetworks may request that the Service Applicant obtain technical and financial evaluation of any equipment associated with the negotiated distribution service that is proposed by the Service Applicant, and that the Service Applicant must provide this within the timeframes specified in Table 1.

Commencement of negotiations with a Service Applicant for the provision of the negotiated distribution service may be subject to the successful outcome of technical and financial evaluation pursuant to this section 19.9 of this negotiating framework.

## 19.10 Suspension timeframe for negotiation

The timeframes for negotiation of the provision of a negotiated distribution service set out in Table 1 of section 19.9 of this negotiating framework are suspended if any one of the following circumstances occur:

- (a) a dispute in relation to the negotiated distribution service is notified to the Australian Energy Regulator (AER) under Part 10 of the NEL, from the date of the notification of that dispute to the AER until:
  - (i) the withdrawal of the dispute under section 126 of the NEL
  - (i) the termination of the dispute by the AER under section 131 or section 132 of the NEL
  - (ii) a determination is made in respect of the dispute by the AER in accordance with section 128 of the NEL.
- (b) after 15 business days of TasNetworks requesting additional information under section 19.7 of this negotiating framework, or, where an alternative timeframe for the provision of the Commercial Information has been agreed pursuant to section 19.7 of this negotiating framework, a further five business days has elapsed since and the Service Applicant has not provided the requested information.
- (c) the Service Applicant fails to pay the reasonable direct expenses incurred in processing the application to provide the negotiated distribution service in accordance with section 19.12 of this negotiating framework, from the next business day after the amount is due until such time as the Service Applicant has paid the outstanding amount.

(d) where TasNetworks has been required to notify and consult with any affected Distribution Network Users in accordance with section 19.13 of this negotiating framework, from the date of the notification to the affected Distribution Network User until the end of the time limit specified by TasNetworks for any affected Distribution Network Users to provide to TasNetworks information regarding the impact of the provision of the negotiated distribution service, or the date on which TasNetworks receives such information from the affected Distribution Network Users, whichever is the later.

(e) where TasNetworks has been required to notify and consult with the Australian Energy Market Operator (AEMO), regarding the provision of the negotiated distribution service, from the date of the notification to AEMO until the date on which TasNetworks receives such information from AEMO.

Each party will notify the other party if it considers that the timeframe has been suspended, within five business days of the date that the party considers the suspension took effect.

## 19.11 Dispute resolution

All disputes with respect to the terms and conditions of access for the provision of negotiated distribution service are to be dealt with in accordance with either the relevant provisions of Part 10 of the NEL or Part L of Chapter 6 of the NER for dispute resolution.

A service applicant should initially raise a dispute in accordance with TasNetworks' Complaints Handling Policy.<sup>2</sup> If that proves unsatisfactory, then a complaint can be made to the Energy Ombudsman (which can be contacted on 1800 001 170 or as described on the Ombudsman's website).<sup>3</sup>

## 19.12 Payment arrangements

The Service Applicant may be required to pay TasNetworks' reasonable direct expenses which are incurred in processing the application to provide the negotiated distribution service.

From time to time, TasNetworks may give the Service Applicant a notice and tax invoice setting out the reasonable direct expenses incurred in processing the application to provide the negotiated distribution service.

The Service Applicant must, within 10 business days of the notice and tax invoice given pursuant to this section 19.12 of this negotiating framework, pay to TasNetworks the amount set out in the notice in the manner set out in the notice.

<sup>2</sup> <https://www.tasnetworks.com.au/config/getattachment/780d5b71-d9c1-49da-8896-252a8a93a331/complaint-handling-policy-29062022.pdf>

<sup>3</sup> <https://www.energyombudsman.tas.gov.au/>

## **19.13 Impact on other Distribution Network Users**

TasNetworks must determine the potential impact on other Distribution Network Users of the provision of the negotiated distribution service.

TasNetworks must notify and consult with any affected Distribution Network Users and ensure that the provision of the negotiated distribution service does not result in noncompliance with obligations in relation to other Distribution Network Users under the NER or the Tasmanian Electricity Code.

If TasNetworks is required to consult the affected Distribution Network Users pursuant to this section 19.13 of this negotiating framework, the timeframes provided for in section 19.9 of this negotiating framework shall be suspended until the information required to assess the impact is received from the affected Distribution Network Users.

## **19.14 Results of negotiations**

TasNetworks must publish the results of negotiations for access to a negotiated distribution service on its website.



