

Negotiated Transmission Service Criteria

Basslink conversion application and
electricity transmission revenue
proposal 2025–30

Call for submissions

November 2023

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Call for Submissions

Under the National Electricity Law (NEL) and the National Electricity Rules (NER), the Australian Energy Regulator (AER) is responsible for the economic regulation of transmission network service providers (TNSP) in the National Electricity Market (NEM).

APA Group is the owner and operator of Basslink Pty Ltd (BPL). On 19 May 2023 APA Group lodged an application with us:

- to convert Basslink’s network services from market network services to prescribed transmission services; and
- requesting us to commence, and determine, the process of making a transmission determination for Basslink.

On 14 July 2023 we published a Commencement and Process Paper where we set out our decision to assess APA Group’s application to convert Basslink from a Market Network Service Provider (MNSP) to a prescribed TNSP concurrently with undertaking the transmission determination process.¹ A final revenue determination will only be required in the event Basslink converts to a regulated asset.

As we were preparing our Issues Paper, we identified that the provisions for negotiated transmission services in version 109 of the NER continues to apply in Victoria by virtue of clause 11.98.8 of the current NER.² For the purposes of this document, therefore, all references to the NER are to version 109 of the NER unless otherwise indicated.

Under clause 6A.2.2(3) of the NER we must, as part of our transmission determination, make a decision on the Negotiated Transmission Service Criteria (NTSC) to apply to Basslink. The NTSC sets out the criteria that are to be applied by Basslink in negotiating terms and conditions of access for its negotiated transmission services. It will also be used by an arbitrator in resolving any access dispute about any of the terms and conditions of access, as required under clause 6A.30.4(b) of the NER.³

We are required to specify the NTSC for Victoria only. For other jurisdictions in the NEM, the Australian Energy Market Commission's 2017 rule change enshrined these criteria into version 110 (and subsequent versions) of the NER.⁴

The AEMC stated the framework under which connections to the transmission network in Victoria occur is fundamentally different to the processes and principles underlying

¹ See: <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/basslink-determination-2025%E2%80%9330/decision>

² Version 109 of the Rules can be accessed on the AEMC website: <https://www.aemc.gov.au/energy-rules/national-electricity-rules/national-electricity-rules-version-109>

³ Clause 11.98.8 preserves chapter 6A from version 109 of the NER for Victoria.

⁴ National Electricity Amendment (Transmission Connection and Planning Arrangements) Rule 2017 No. 4.

the connection framework used in the rest of the NEM.⁵ This is because AEMO is authorised to exercise declared network functions in Victoria. AEMO is responsible for the provision of shared transmission services in Victoria.

Clause 6A.11.3 of the NER requires us to publish a proposed NTSC, together with an invitation for written submissions. We are seeking submissions from interested parties in relation to the proposed NTSC to apply to Basslink. These submissions are due by close of business 16 February 2024.⁶

Submissions should have regard to clause 6A.9.4(b) of the NER which states that the NTSC must give effect to and be consistent with the Negotiated Transmission Service Principles set out in clause 6A.9.1 of the NER.

We prefer that all written submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested. Parties wishing to submit confidential information are asked to provide both confidential and non-confidential versions of their submission. All non-confidential submissions will be placed on our website www.aer.gov.au.

We will treat all information and documents provided to us as part of this process in accordance with the ACCC/AER's Information Policy (June 2014), which is available on our website.

Submissions can be sent electronically to ResetCoord@aer.gov.au

⁵ Australian Energy Market Commission, Rule Determination, National Electricity Amendment (Transmission Connection and Planning Arrangements) Rule 2017, 23 May 2017, p. v.

⁶ NER, cl. 6A.11.3(c).

Proposed Negotiated Transmission Service Criteria

National Electricity 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 National Electricity 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 must be fair, reasonable, and consistent with the safe and reliable operation of the power system in accordance with the NER.
3. The terms and conditions of access for negotiated transmission services, particularly any exclusions and limitations of liability and indemnities, must not be unreasonably onerous. Relevant considerations include the allocation of risk between the TNSP and the other party, the price for the negotiated transmission service and the cost to the TNSP of providing the negotiated 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 of a negotiated transmission service must reflect the cost 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 7 and 8, 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:
 - (a) exceeds any network performance requirements which it is required to meet under any relevant electricity legislation; or
 - (b) 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 (as appropriate).

8. For shared transmission services, the difference in price between a negotiated transmission service that does not meet or exceed network performance requirements and a service that meets those requirements should reflect the TNSP's avoided costs. Schedule 5.1a and 5.1 of the NER or any relevant electricity legislation must be considered in determining whether any network service performance requirements have not been met or exceeded.
9. The price for a negotiated transmission service must be the same for all Transmission Network Users. The exception is if 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 such cases the adjustment must reflect the extent to which the costs of that asset are 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 the costs reasonably incurred by the TNSP in providing Transmission Network User access. This includes the compensation for foregone revenue referred to in clause 5.4A(h) to (j) of the NER and the costs that are likely to be incurred by a person referred to in clause 5.4A(h) to (j) of the NER (as appropriate).