

## Australian Energy Regulator

### Contribution Determination for 2024–25

1. On 12 November 2021 the Australian Energy Regulator (AER) was appointed as a Regulator under the *Electricity Infrastructure Investment Act 2020 (NSW)* (the EII Act).
2. Under section 56 of the EII Act, the AER is required to make an annual contribution in which it determines the amount for a financial year (a contribution determination) that is required for the scheme financial vehicle to be able to make payments from the electricity infrastructure fund (the Fund) that are required under the EII Act, including an amount for the scheme financial vehicle to meet its liabilities as they fall due.

#### AER's Contribution Determination

3. On 15 February 2024, the AER made the following contribution determination under section 56(1) of the EII Act.
  - a. The total contribution amount for 2024–25 is \$341.24 million.<sup>1</sup>
  - b. The minimum prudent cash balance allowance required for the Fund for 2024–25 is \$213.98 million. As the Fund will recover a minimum prudent balance of \$59.92 million in 2023–24, the NSW Scheme Financial Vehicle must recover an adjustment of \$154.06 million in 2024–25 to reach the target level.
  - c. The amounts required to be paid by each NSW Distribution Network Service Provider are:
    - i. Ausgrid \$151.13 million.
    - ii. Endeavour Energy \$123.40 million.
    - iii. Essential Energy \$66.72 million.

#### Details of how the contribution determination was made

4. The AER made this contribution determination in accordance with the process and methodology set out in its Contribution Determination Guideline (guideline).<sup>2</sup>
5. The methodology the AER applied in making this contribution determination is set out in its Contribution Determination Excel Template (template).<sup>3</sup>
6. Schedule 1 shows a public version of the completed template and contains the underlying data inputs provided by the scheme entities and NSW Distribution Network Service Providers. The AER used these data inputs to calculate the contribution determination amounts.<sup>4</sup> In line with the process set out in the AER's guideline, the AER undertook a quality assurance check of all data provided.

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<sup>1</sup> This number is rounded to two decimal places, but please note that the unrounded number will be implemented. The unrounded number appears in the public copy of the template at Schedule 1.

<sup>2</sup> <https://www.aer.gov.au/documents/aer-nsw-electricity-infrastructure-fund-contribution-determination-guideline-august-2023>

<sup>3</sup> As above.

<sup>4</sup> This year, the public version of the contribution determination template contains limited data. This is because much of the data underlying the AER's contribution determination relates to ongoing competitive tender processes. These processes could be compromised if the data were published. However, we intend for this data to be published once it becomes historical and no longer relevant to ongoing tender processes.

## Matters taken into account

7. In making a contribution determination, the AER must take into account the matters listed in clause 35 of the *Electricity Infrastructure Investment Regulation 2021 (NSW)* (EII Regulation). Table 1 summarises how the AER took these matters into account.

Table 1

Matters listed in regulation 35	How the AER has taken the matter into account
35(1) ... (a) the need to limit variability in contribution determinations from year to year, ...	The AER's methodology, as set out in the guideline, <sup>5</sup> manages variability by applying a 3-year rolling average of net costs. <sup>6</sup>
... (b) the equitable allocation of the contribution determination between distribution network service providers based on each provider's—  (i) volumetric energy delivery in the previous financial year, and  (ii) peak demand in the previous financial year, ...	The AER's methodology for apportioning costs across NSW Distribution Network Service Providers is set out in the guideline and is based on volumetric energy and peak demand metrics. <sup>7</sup> This methodology apportions the costs of long-term energy service agreements on an energy delivered metric basis, and all remaining costs elements on a peak demand metric basis.
... (c) the need for the scheme financial vehicle to be able to meet its liabilities as they fall due, ...	The AER's methodology, set out in the guideline, <sup>8</sup> addresses this issue in the following ways: <ul style="list-style-type: none"> <li>• The contribution determination reflects the Scheme Financial Vehicle's forthcoming liabilities in that it is based on a 3-year rolling average of forecast net costs. <ul style="list-style-type: none"> <li>○ each scheme entity provided the AER with estimates of costs under its responsibility for 2 leading years and 1 lagging year.</li> <li>○ this captured the costs of long-term energy supply agreements, payments to network operators and the administration costs of scheme entities.<sup>9</sup></li> </ul> </li> <li>• the contribution determination includes a minimum prudent cash balance allowance, which is required under section 56(3)(a) of the EII Act.</li> </ul>

<sup>5</sup> AER, [Contribution Determination Guideline](#), September 2020, chapter 3.

<sup>6</sup> AER, [Contribution Determination Guideline](#), September 2020, chapter 3, section 5.2.

<sup>7</sup> AER, [Contribution Determination Guideline](#), September 2020, sections 3, 5.4 and 5.5.

<sup>8</sup> AER, [Contribution Determination Guideline](#), September 2020, chapter 3.

<sup>9</sup> AER, [Contribution Determination Guideline](#), September 2020, figure 1.

<b>Matters listed in regulation 35</b>	<b>How the AER has taken the matter into account</b>
... (d) information provided to the regulator by the consumer trustee, the financial trustee, the infrastructure planner or the Tribunal. ...	The AER made its contribution determination using data provided by the scheme entities and NSW Distribution Network Service Providers.

**Consultations with the Financial Trustee**

8. In making its contribution determination, the AER consulted with the Financial Trustee as required by section 56(6)(a) of the EII Act.

**Schedule 1 – Public version of contribution determination template**

# AER contribution determination model 2024–25

## Legend

### Key:

	Annual SFV input
	Calculation
	N/A

Each worksheet includes space for commentary and notes (in column W)

Version Record	Date	Description
0	May-22	Draft contribution determination model for public consultation
0.1	Jun-22	Draft contribution determination model for public consultation revised
1.0	Oct-22	Contribution determination model for AER use after minor revisions
1.1	Jun-23	Draft contribution determination model for public consultation
2.0	Aug-23	Contribution determination model for AER use

## Link to Guideline

<https://www.aer.gov.au/industry/register/resources/guidelines/nsw-contribution-determination-guideline>

## End

AER contribution determination model - 2024-25

Table 1   Contribution determination for target year (t)	Unit	2024-25	Notes
Ausgrid	Smillions	151,126,946,95	
Endeavour Energy	Smillions	123,396,652,40	
Essential Energy	Smillions	68,718,933,88	
Contribution determination amount	Smillions	341,242,403,24	
Minimum prudent balance allowance	Smillions	213,982,916,76	
<b>End</b>			

**AER contribution determination model - 2024-25**

Financial

Table 1   Interest rate	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
Interest rate	SFV	Per cent	No	No			3.10%	4.35%								

Table 2   Revenues	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
<b>Contribution determinations</b>																
Contribution determination actual revenue	SFV	\$millions	No	No			138.14									Historical amounts prior to forecast year only
<b>Revenue (excluding contribution determinations)</b>																
LTESA - Generation	SFV	\$millions	Yes	Yes												
LTESA - LDS & Firming	SFV	\$millions	No	Yes												
Risk management contracts	SFV	\$millions	Yes	Yes												
Access fees	SFV	\$millions	No	No			0.00	0.00	0.00							
Payments for shortfall in carbon offsets (LTESA for firming infrastructure)	SFV	\$millions	No	No			0.00	0.00	0.00							
Revenues from investment activities	SFV	\$millions	No	No			1.57	3.34	5.79	5.55						
Other revenue	SFV	\$millions	No	No												
<b>Total</b>	Calculation	\$millions	Yes	Yes												

Table 3   Expenditure	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
<b>LTESA expenditure</b>																
LTESA - Generation	SFV	\$millions	Yes	Yes												
LTESA - LDS & Firming	SFV	\$millions	No	Yes												
Risk management contracts	SFV	\$millions	Yes	Yes												
<b>Total</b>	Calculation	\$millions	Yes	Yes												
<b>Payments to network operators</b>																
Payments to network operators	NSW EnCo	\$millions	No	Yes												
<b>Total</b>	Calculation	\$millions	No	Yes		0.00	0.00									
<b>Administration expenditure</b>																
AER administration costs	AER	\$millions	No	No		0.95	3.17	3.28	3.40							
Consumer Trustee administration costs	Consumer Trustee	\$millions	No	No		12.74	29.35	34.48	35.59							
Financial Trustee administration costs	Financial Trustee	\$millions	No	No		0.37	0.63	0.63	0.63							
SFV administration costs	SFV	\$millions	No	No		1.31	10.48	12.86	13.23							
IPART administration costs	IPART	\$millions	No	No		0.00	1.79	1.81	1.62							
EPA administration costs	EPA	\$millions	No	No		0.04	0.01	0.01	0.01							
EnCo administration costs	SFV/NSW EnCo	\$millions	No	No		0.84	4.84	4.84	3.84							
<b>Total</b>	Calculation	\$millions	No	No		0.00	16.25	50.27	57.90	58.31						
<b>Other costs</b>																
Access scheme costs (excluding administration costs and community payments)	SFV	\$millions	No	No		0.00	0.00	0.00	0.00							
Community payments	SFV	\$millions	No	No		0.00	0.00	0.00	0.00							
EPA invoices for shortfall in carbon offsets (LTESA for firming infrastructure)	SFV	\$millions	No	No		0.00	0.00	0.00	0.00							
Interest and finance cost of loans (including additional loans and liquidity facilities)	SFV	\$millions	No	No		0.00	0.29	0.34	0.34							
Other costs	SFV	\$millions	No	No												
<b>Total</b>	Calculation	\$millions	No	No		0.00	0.00	0.29	0.34	0.34						
<b>Total</b>	Calculation	\$millions	Yes	Yes												

Table 4   Loans	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
Establishment of loan	SFV	\$millions	Yes	Yes												
Repayment of loan	SFV	\$millions	Yes	Yes												
Need to use loan money (to cover negative liquidity or loan repayments)	Calculation	\$millions	Yes	Yes												
Use of loan to cover under-recovery (and subsequent recovery of funds)	Calculation	\$millions	Yes	Yes												
Use of an additional loan (and subsequent recovery of funds)	SFV	\$millions	Yes	Yes												
<b>Total</b>	Calculation	\$millions	Yes	Yes												

Table 5   Minimum prudent balance	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
Adjustment to reach updated minimum prudent balance	SFV	\$millions	No	No			59.92	154.06								
<b>Minimum prudent balance</b>	Calculation	\$millions	No	No		0.00	0.00	59.92	213.98							

Table 6   Data on Commonwealth Capacity Investment Scheme (for information)	Source	Unit	Confidentiality claimed re actuals data (2022-23)	Confidentiality claimed re forecast data (2023-24 and beyond)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
Commonwealth Capacity Investment Scheme	SFV	\$millions	Yes	Yes												This data is included for information purposes only and do not form an expense to the NSW electricity consumer.
LTESA - funded by Commonwealth Capacity Investment Scheme	SFV	\$millions	Yes	Yes												

End