

# Minor AER Guideline amendments – National Energy Objectives

Draft decision

March 2024

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## Contents

|                                    |    |
|------------------------------------|----|
| Have your say .....                | 4  |
| 1 Introduction .....               | 5  |
| 2 Draft decision .....             | 6  |
| 3 Consultation and next steps..... | 8  |
| Appendix A .....                   | 10 |

# Have your say

We are consulting on proposed minor amendments to 5 AER Guidelines. The proposed minor amendments are required following the addition of greenhouse gas emissions to the National Energy Objectives.

We invite interested parties to make written submissions on our draft decision by close of business, **26 April 2024**.

Submissions should be sent electronically to: [NEOReforms@aer.gov.au](mailto:NEOReforms@aer.gov.au). We prefer all electronic submissions to be in Microsoft Word or another text readable program.

Alternatively, submissions can be mailed to:

Executive General Manager, Consumers Policy and Markets  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. For this reason, we will treat submissions as public documents unless otherwise requested. If you wish to submit confidential information, please:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

We will place all non-confidential submissions on our website at [www.aer.gov.au](http://www.aer.gov.au). For further information about the use and disclosure of information provided to us, see the ACCC/AER Information Policy (June 2014) on our website.

# 1 Introduction

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a safe, secure, reliable and affordable energy future for Australia as it transitions to net zero emissions.

On 12 August 2022, Energy Ministers agreed to fast track the introduction of an emissions reduction objective into the national energy objectives, consisting of the National Electricity Objective, National Gas Objective and National Energy Retail Objective. On 21 September 2023, the *Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Act 2023* (the Act)<sup>1</sup> received Royal Assent.

The National Energy Objectives (NEOs) comprise of the National Electricity Objective (NEO), National Energy Retail Objective (NERO) and National Gas Objectives (NGO). The three amended objectives are similar. The National Electricity Objective as stated in the amended National Electricity Law is:

*“to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:*

- a. price, quality, safety, reliability and security of supply of electricity; and*
- b. the reliability, safety and security of the national electricity system; and*
- c. the achievement of targets set by a participating jurisdiction—*
  - i. for reducing Australia's greenhouse gas emissions; or*
  - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”*

(For the NGO and NERO, delete (b) and substitute ‘natural gas’ and ‘energy services’ for ‘electricity’).

On 1 February 2024, the Australian Energy Market Commission (AEMC) made its final determination and rule change to harmonise the national energy rules with the amended NEOs.<sup>2</sup>

The paper sets out our draft decision on AER Guidelines (being Guidelines required under the Laws or Rules) that require minor changes because of the amended NEOs or the AEMC’s final rule change.<sup>3</sup>

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<sup>1</sup> See: [Statutes Amendment \(National Energy Laws\) \(Emissions Reduction Objectives\) Act 2023](#).

<sup>2</sup> See: [AEMC, Harmonising the national energy rules with the updated national energy objectives, 1 February 2024](#).

<sup>3</sup> AEMC, Rule determination, Harmonising the rules with the updated national energy objectives, 1 February 2024, p. 34.

## 2 Draft decision

We reviewed 49 Guidelines and Instruments identified 5 Guidelines that we consider require minor changes. Table 1 constitutes our draft decision, listing the affected Guidelines, relevant sections and proposed amendments.<sup>4</sup> Appendix A contains a complete list of AER Guidelines and Instruments.

**Table 1: Draft decision – AER Guidelines requiring minor amendments**

| Guideline  | Section and Proposed Amendment  |
|--|---|
| Capital Expenditure Incentive Guidelines for Electricity Network Service Providers | Section 5, p. 20 – Amend the paragraph starting "The capital expenditure objectives are contained in clause 6.5.7(a) and 6A.6.7(a) of the NER" to include "5) contribute to achieving emissions reduction targets through the supply of standard control services".   |
| Network Service Provider registration exemption guideline                          | <p>Section 2.4.7, p. 27 – Amend our decision-making process for individual exemptions by replacing the NEO quote with:</p> <p><i>"to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:</i></p> <ul style="list-style-type: none"> <li><i>a. price, quality, safety, reliability and security of supply of electricity; and</i></li> <li><i>b. the reliability, safety and security of the national electricity system; and</i></li> <li><i>c. the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> <li><i>i. for reducing Australia's greenhouse gas emissions; or</i></li> <li><i>ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."</i></li> </ul> </li> </ul> |
| Pipeline regulatory determination and elections Guide                              | <p>Section 5.1.1, p. 23 – Amend the regulatory determination test criteria by replacing the NGO quoted with: <i>"to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to:</i></p> <ul style="list-style-type: none"> <li><i>a. price, quality, safety, reliability and security of supply of natural gas; and</i></li> <li><i>b. the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> <li><i>i. for reducing Australia's greenhouse gas emissions; or</i></li> </ul> </li> </ul>   |

<sup>4</sup> NER, cl. 11.162.6(b).

| Guideline                        | Section and Proposed Amendment  |
|----------------------------------|---|
| Retailer Authorisation Guideline | <p style="text-align: right;"><i>ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."</i></p> <p>Footnote 14, p. 8 – Replace footnote 14 with “The objective of the Retail Law is <i>to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers of energy with respect to:</i></p> <ul style="list-style-type: none"> <li><i>a. price, quality, safety, reliability and security of supply of energy; and</i></li> <li><i>b. the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> <li><i>i. for reducing Australia's greenhouse gas emissions; or</i></li> <li><i>ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."</i></li> </ul> </li> </ul> |
| Retail Exempt Selling Guideline  | <p>Section 7.2, p. 19 and Appendix E, p. 61 – Replace with “The objective of the Retail Law is “<i>to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers of energy with respect to:</i></p> <ul style="list-style-type: none"> <li><i>a. price, quality, safety, reliability and security of supply of energy; and</i></li> <li><i>b. the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> <li><i>i. for reducing Australia's greenhouse gas emissions; or</i></li> <li><i>ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."</i></li> </ul> </li> </ul>   |

### 3 Consultation and next steps

We seek stakeholder views on:

- our proposed updates to AER Guidelines as set out in section 2
- whether we have overlooked any minor updates required to any AER Guidelines
- whether there are specific AER Guidelines that stakeholders consider require significant changes, and therefore potentially a separate review, to incorporate the amended NEOs.

Table 2 sets out our indicative timing for this process. Once we publish our final decision, we will make the amendments identified to the respective AER Guidelines and those Guidelines will be published on the AER’s website.

**Table 2: Indicative project timing**

| Indicate Date   | Project milestone/action                      |
|-----------------|---|
| By 8 March 2024 | AER publishes draft decision for consultation |
| 26 April 2024   | Submissions Close                             |
| July 2024       | AER publishes final decision                  |

Notably, the AEMC’s final rule change requires us to undertake a review of ‘network planning instruments’ to consider emissions reduction as a class of market benefit.<sup>5</sup> The network planning instruments include the:

- Cost Benefit Analysis Guidelines
- Regulatory Investment Test for Transmission (Instrument)
- Regulatory Investment Test for Transmission application guidelines
- Regulatory Investment Test for Distribution (Instrument)
- Regulatory Investment Test for Distribution application guidelines.

We will review the network planning instruments, commencing from March and concluding in November 2024.<sup>6</sup>

We also intend reviewing our Expenditure Forecast Assessment Guideline 2013.<sup>7</sup> This is because the AEMC’s final change enables regulated businesses to include capital and operating expenditure in their revenue proposals that could contribute to achieving emissions reduction targets.<sup>8</sup> This review will commence around May 2024 and conclude by December

<sup>5</sup> AEMC, Rule determination, Harmonising the rules with the updated national energy objectives, 1 February 2024, p. 12.

<sup>6</sup> NER, cl. 11.162.5 and 11.162.6(c).

<sup>7</sup> AER, [Expenditure Forecast Assessment Guideline](#), November 2013.

<sup>8</sup> AEMC, Rule determination, Harmonising the rules with the updated national energy objectives, 1 February 2024, p. 26.



2024.<sup>9</sup> We expect to review our Distributed Energy Resources guidance and Customer Expert Curtailment Value in parallel.

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<sup>9</sup> NER, cl 11.162.6(a).

# Appendix A

Table 3 contains a complete list of AER Guidelines reviewed in reaching our draft decision.

**Table 3: AER Guidelines reviewed**

| Guideline   | Draft decision  |
|---|-----------------|
| <a href="#">AER (Retail Law) Performance Reporting Procedures and Guidelines</a>  | No amendment    |
| <a href="#">Benefit Change Notice Guidelines</a>  | No amendment    |
| <a href="#">Better Bills Guideline</a>  | No amendment    |
| <a href="#">Capital Expenditure Incentive Guideline for Electricity Network Service Providers</a>                       | Minor amendment |
| <a href="#">Compliance Procedures and Guidelines National Energy Retail Law, Retail Rules and Regulations Version 6</a> | No amendment    |
| <a href="#">Compulsory Notice Guidelines</a>  | No amendment    |
| <a href="#">Confidentiality Guideline</a>   | No amendment    |
| <a href="#">Confidentiality Guidelines for Dispute Resolution under clause 8.2 of the National Energy Rules</a>         | No amendment    |
| <a href="#">Connection charge guidelines for electricity customers</a>  | No amendment    |
| <a href="#">Cost allocation guidelines- Electricity distribution network service providers</a>                          | No amendment    |
| <a href="#">Cost allocation guidelines- Electricity transmission network service providers</a>                          | No amendment    |
| <a href="#">Cost benefit analysis guidelines</a>  | Separate review |
| <a href="#">Customer Hardship Policy Guideline</a>  | No amendment    |
| <a href="#">Distribution Annual Planning Report Template V1.0</a>   | No amendment    |
| <a href="#">Distribution Reliability Measures Guideline</a>   | No amendment    |
| <a href="#">Efficiency Benefit Sharing Scheme for Electricity Network Service Providers</a>                             | No amendment    |
| <a href="#">Electricity Distribution Service Classification Guideline and Asset Exemption Guideline</a>                 | No amendment    |
| <a href="#">Electricity transmission network service providers Pricing methodology guidelines</a>                       | No amendment    |
| <a href="#">Expenditure Forecast Assessment Guideline for Electricity Distribution</a>                                  | Separate review |
| <a href="#">Export Tariff Guidelines</a>  | No amendment    |
| <a href="#">Forecasting Best Practice Guidelines</a>  | No amendment    |
| <a href="#">Generator notice of closure exemption guideline</a>   | No amendment    |
| <a href="#">Network Service Provider - Registration Exemption Guideline</a>   | Minor amendment |
| <a href="#">Pipeline Access Dispute Guide</a>   | No amendment    |
| <a href="#">Pipeline information disclosure guidelines and Price reporting guidelines for Part 18A facilities</a>       | No amendment    |

| <b>Guideline</b>   | <b>Draft decision</b> |
|--|-----------------------|
| <a href="#">Pipeline Regulatory Determinations and Elections Guide</a>   | Minor amendment       |
| <a href="#">Process guideline for contingent project applications under the National Electricity Rules</a>       | No amendment          |
| <a href="#">Rebidding and Technical Parameters Guideline</a>   | No amendment          |
| <a href="#">Retailer Authorisation Guideline Version 2</a>   | Minor amendment       |
| <a href="#">Retail Exempt Selling Guideline</a>  | Minor amendment       |
| <a href="#">Retail Pricing Information Guidelines</a>  | No amendment          |
| <a href="#">Retailer of Last Resort guidelines</a>   | No amendment          |
| <a href="#">Retailer Reliability Obligation - Interim Contracts And Firmness Guidelines</a>                      | No amendment          |
| <a href="#">Retailer Reliability Obligation - Interim Market Liquidity Obligation Guideline</a>                  | No amendment          |
| <a href="#">Retailer Reliability Obligation - Interim Reliability Instrument Guidelines</a>                      | No amendment          |
| <a href="#">Retailer Reliability Obligation - Opt-In Guidelines</a>  | No amendment          |
| <a href="#">Retailer Reliability Obligation - Reliability Compliance Procedures and Guidelines</a>               | No amendment          |
| <a href="#">Ring-fencing Guideline Electricity Distribution Version 3</a>  | No amendment          |
| <a href="#">Ring-fencing Guideline Electricity Transmission Version 4</a>  | No amendment          |
| <a href="#">Regulatory investment test for distribution - Application guidelines</a>                             | Separate review       |
| <a href="#">Regulatory investment test for distribution</a>  | Separate review       |
| <a href="#">Regulatory investment test for transmission - Application guidelines</a>                             | Separate review       |
| <a href="#">Regulatory investment test for transmission</a>  | Separate review       |
| <a href="#">Service Target Performance Incentive Scheme - Electricity transmission network service providers</a> | No amendment          |
| <a href="#">Shared Asset Guideline</a>   | No amendment          |
| <a href="#">Significant price reporting guidelines for wholesale electricity</a>                                 | No amendment          |
| <a href="#">Transmission annual planning report guidelines</a>   | No amendment          |
| <a href="#">Trial Projects Guidelines (Regulatory Sandboxing)</a>  | No amendment          |
| <a href="#">Wholesale Demand Response Participation Guidelines</a>   | No amendment          |