

Minor AER Guideline amendments – National Energy Objectives

Final decision

May 2024

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Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Tel: 1300 585 165

AER reference: 16443300

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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.

Energy Ministers have reformed the National Energy Laws to introduce an emissions reduction element into the national energy objectives. These changes took effect in late 2023.

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.¹

The paper sets out our final 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.²

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

² AEMC, Rule determination, Harmonising the rules with the updated national energy objectives, 1 February 2024, p. 34.

2 Consultation and stakeholder views

On 6 March 2024, we published our draft decision setting out proposed amendments to the 5 Guidelines that require minor changes.³ We sought 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.

Consultation closed on the 26 April 2024. We received 1 submission in response, from Ausgrid.

A summary of Ausgrid’s submission is set out in table 1. We also indicate where we have amended our draft decision to address Ausgrid’s feedback and state our final decision.

Table 1: Summary of Ausgrid’s submission and our response

Guideline	Section and AER’s Draft decision Amendment	Ausgrid’s submission and AER’s response
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".	Ausgrid agreed with draft decision. No change to final decision.
Network Service Provider registration exemption guideline	Section 2.4.7, p. 27 – Amend our decision-making process for individual exemptions by replacing the NEO quote with: <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> a. <i>price, quality, safety, reliability and security of supply of electricity; and</i> b. <i>the reliability, safety and security of the national electricity system; and</i> c. <i>the achievement of targets set by a participating jurisdiction—</i> i. <i>for reducing Australia’s greenhouse gas emissions; or</i> ii. <i>that are likely to contribute to reducing Australia’s greenhouse gas emissions."</i>	Ausgrid agreed with draft decision. No change to final decision.
Pipeline regulatory determination and elections Guide	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</i>	Ausgrid agreed with draft decision on changes to section 5.1.1

³ The [draft decision](#) can be viewed at our website.

Guideline	Section and AER’s Draft decision Amendment	Ausgrid’s submission and AER’s response
	<p><i>the long-term interests of consumers of natural gas with respect to:</i></p> <ul style="list-style-type: none"> a. <i>price, quality, safety, reliability and security of supply of natural gas; and</i> b. <i>the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> i. <i>for reducing Australia’s greenhouse gas emissions; or</i> ii. <i>that are likely to contribute to reducing Australia’s greenhouse gas emissions.”</i> 	<p>Suggested considering amendment to section 6.3.2 National Gas Objective to refer to emissions reduction:</p> <p><i>“In having regard to the National Gas Objective, we must consider whether making the classification or reclassification decision is consistent with the objective. We will therefore consider whether the change in classification is likely to affect the efficiency of pipeline access, the operation of gas markets, and the rights of third parties and the impact on emissions reduction.”</i></p> <p>AER response: The pipeline regulatory determination and elections guide sets out our powers and functions relating to determining the form of regulation for gas pipelines, and classification and reclassification of pipelines.</p> <p>We agree section 6.3.2 paragraph does need to reference emission reduction. However, the proposed wording is not consistent with the rest of the paragraph. Also, such phrasing prematurely assumes that emissions reduction will have a significant impact in making the classification or reclassification decision.</p> <p>Our alternative phrasing is as follows:</p> <p><i>“In having regard to the National Gas Objective, we must consider whether making the classification or reclassification decision is consistent with the objective. We will therefore consider whether the change in classification is likely to affect the efficiency of pipeline access, the operation of gas markets, the rights of third parties and the achievement of relevant emissions reduction targets.”</i></p>
Retailer Authorisation Guideline	<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"> a. <i>price, quality, safety, reliability and security of supply of energy; and</i> b. <i>the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> i. <i>for reducing Australia’s greenhouse gas emissions; or</i> ii. <i>that are likely to contribute to reducing Australia’s greenhouse gas emissions.”</i> 	<p>Ausgrid agreed with draft decision.</p> <p>No change to final decision.</p>

Guideline	Section and AER's Draft decision Amendment	Ausgrid's submission and AER's response
Retail Exempt Selling Guideline	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> <ol style="list-style-type: none"> <li data-bbox="478 479 986 539">a. <i>price, quality, safety, reliability and security of supply of energy; and</i> <li data-bbox="478 555 1005 801">b. <i>the achievement of targets set by a participating jurisdiction—</i> <ol style="list-style-type: none"> <li data-bbox="558 636 1005 696">i. <i>for reducing Australia's greenhouse gas emissions; or</i> <li data-bbox="558 712 973 801">ii. <i>that are likely to contribute to reducing Australia's greenhouse gas emissions."</i> 	Ausgrid agreed with draft decision. No change to final decision.
Ausgrid also submitted the following proposed changes to other AER documents		
Better Resets Handbook	AER did not propose any changes in its draft decision as the Handbook is not a Guideline	Replace text at section 2.1, page 3, footnotes 4 and 5 to quote the updated NEO. AER response: We intend reviewing the Better Resets Handbook after the Victorian Distribution revenue determinations are completed in April 2026 , but in the interim, and for clarity, will update the footnotes as proposed by Ausgrid.
Network Resilience – A note on key issues	AER did not propose any changes in its draft decision as the note is not a Guideline	Ausgrid submitted that given the link between emissions and climate change, consideration could be given to how reduced emissions may be considered in the context of future resilience spend. AER response: A further review of the resilience guidance note is expected after we have conducted the Victorian distribution network service providers' 2026-31 resets. At this time we can captures learnings from the Victorian process, including the use of a value of network resilience the AER is developing. No change to final decision.
Industry Practice Application Note – Asset Replacement Planning	AER did not propose any changes in its draft decision	Ausgrid submitted that references to the 'NEO' at section 1.5, Table 1 Definitions page 8 and section 3.3.2 pages 17-18 to quote the amended NEO in full. AER response: For completeness we will update the note as proposed by Ausgrid.
Ring-fencing Guideline (Electricity Distribution)	AER did not propose any changes in its draft decision	Consider whether amendments could be made to recognise where the prospect of emissions reduction outweighs

Guideline	Section and AER's Draft decision Amendment	Ausgrid's submission and AER's response
		<p>competition concerns to enable customers' desire for a least cost net zero transition.</p> <p>AER response: No changes to final decision. The Ring-Fencing Guideline simply refers to the NEO without setting it out. Further, the ring-fencing guideline is a mechanism for promoting the NEO by promoting competition in the provision of electricity services. It does this by imposing obligations that prevent cross-subsidisation and discrimination.</p>

3 Final decision

Our review of 49 Guidelines and Instruments identified 5 Guidelines that we consider require minor changes. Table 2 constitutes our final decision, listing the affected Guidelines, relevant sections and proposed amendments.⁴ Appendix A contains a complete list of AER Guidelines and Instruments.

Table 2: Final decision – AER Guidelines requiring minor amendments

Guideline	Section and Amendment
Capital Expenditure Incentive Guidelines for Electricity Network Service Providers	Section 5, p. 20 – Amended 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 – Amended 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"> <i>a. price, quality, safety, reliability and security of supply of electricity; and</i> <i>b. the reliability, safety and security of the national electricity system; and</i> <i>c. the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> <i>i. for reducing Australia's greenhouse gas emissions; or</i> <i>ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."</i>
Pipeline regulatory determination and elections Guide	<p>Section 5.1.1, p. 23 – Amended 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"> <i>a. price, quality, safety, reliability and security of supply of natural gas; and</i> <i>b. the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> <i>i. for reducing Australia's greenhouse gas emissions; or</i>

⁴ NER, r. 11.162.6(b).

Guideline	Section and Amendment
	<p style="text-align: right;">ii. <i>that are likely to contribute to reducing Australia's greenhouse gas emissions."</i></p> <p>Section 6.3.2, p – Amended our assessment approach to include impact to emissions reduction: <i>"In having regard to the National Gas Objective, we must consider whether making the classification or reclassification decision is consistent with the objective. We will therefore consider whether the change in classification is likely to affect the efficiency of pipeline access, the operation of gas markets, the rights of third parties, and the achievement of relevant emissions reduction targets"</i>.</p>
Retailer Authorisation Guideline	<p>Footnote 14, p. 8 – Replaced footnote 14 with <i>"The objective of the Retail Law is 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"> a. <i>price, quality, safety, reliability and security of supply of energy; and</i> b. <i>the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> i. <i>for reducing Australia's greenhouse gas emissions; or</i> ii. <i>that are likely to contribute to reducing Australia's greenhouse gas emissions."</i>
Retail Exempt Selling Guideline	<p>Section 7.2, p. 19 and Appendix E, p. 61 – Replaced with <i>"The objective of the Retail Law is "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"> a. <i>price, quality, safety, reliability and security of supply of energy; and</i> b. <i>the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> i. <i>for reducing Australia's greenhouse gas emissions; or</i> ii. <i>that are likely to contribute to reducing Australia's greenhouse gas emissions."</i>
Better Resets Handbook	<p>Footnote 4: <i>"The National Electricity Objective as stated in the National Electricity Law (NEL) 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:</i></p> <ul style="list-style-type: none"> a. <i>price, quality, safety, reliability and security of supply of electricity; and</i>

Guideline	Section and Amendment
	<ul style="list-style-type: none"> b. <i>the reliability, safety and security of the national electricity system; and</i> c. <i>the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> i. <i>for reducing Australia's greenhouse gas emissions; or</i> ii. <i>that are likely to contribute to reducing Australia's greenhouse gas emissions.”</i> <p><i>“The National Gas Objective as stated in the National Gas Law (NGL) is to promote efficient investment in, and efficient operation and use of, covered gas services for the long-term interests of consumers of covered gas with respect to:</i></p> <ul style="list-style-type: none"> a. <i>price, quality, safety, reliability and security of supply of covered gas; and</i> b. <i>the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> i. <i>for reducing Australia's greenhouse gas emissions; or</i> ii. <i>that are likely to contribute to reducing Australia's greenhouse gas emissions.”</i>
<p>Industry Practice Application Note – Asset Replacement Planning</p>	<p>Section 1.5 definitions, page 7 – in the definition table insert NEO, defined as <i>“The National Electricity Objective as stated in the National Electricity Law (NEL) 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:</i></p> <ul style="list-style-type: none"> a. <i>price, quality, safety, reliability and security of supply of electricity; and</i> b. <i>the reliability, safety and security of the national electricity system; and</i> c. <i>the achievement of targets set by a participating jurisdiction—</i> <ul style="list-style-type: none"> i. <i>for reducing Australia's greenhouse gas emissions; or</i> iii. <i>that are likely to contribute to reducing Australia's greenhouse gas emissions.”</i>

We will shortly update the respective AER guidelines as set out in the above table and publish them on the AER website.

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.⁵ 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 commenced reviewing our network planning instruments in April 2024 and will conclude in November 2024.⁶

We are also reviewing our Expenditure Forecast Assessment Guideline 2013.⁷ 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.⁸ This review will commence in May 2024 and conclude by December 2024.⁹ We expect to review our Distributed Energy Resources guidance and Customer Export Curtailment Value in parallel.

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

⁶ NER, rr. 11.162.5 and 11.162.6(c).

⁷ AER, [Expenditure Forecast Assessment Guideline](#), November 2013.

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

⁹ NER, rr. 11.162.6(a).

Appendix A

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

Table 3: AER Guidelines reviewed

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

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