

23 Marcus Clarke Street  
Canberra ACT 2601  
GPO Box 3131  
Canberra ACT 2601  
tel: (02) 6243 1111  
[www.aer.gov.au](http://www.aer.gov.au)

Our Ref: 17033060  
Your Ref: ERC0383  
Contact Officer: Miyuru Ediriweera  
Contact Phone: [REDACTED]

1 August 2024

Anna Collyer  
Chair  
Australian Energy Market Commission  
GPO Box 2603  
SYDNEY, NSW, 2001

Dear Ms Collyer

## **Re: Providing flexibility in the allocation of interconnector costs**

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination on Providing flexibility in the allocation of interconnector costs.

The AER supports the intent of the draft determination as a means to implement an alternative pathway in the Rules to specify the allocation of interconnector costs by giving effect to inter-governmental agreements (Agreements) for a specific interconnector. Our submission provides feedback on the use of term 'materially upgraded', the proposed roles for the AER and the transitional timeframes.

### Qualifying interconnectors

The AER considers the proposed qualifying criterion 'regulated interconnectors that are *materially upgraded*' may be unclear. There is no definitional threshold as to what constitutes '*materially upgraded*' in the draft rule which may hamper its effective application as 'materially' is open to subjective interpretation. For example, a relatively small upgrade to a regulated interconnector could be argued to be material and used as the basis to readjust the default inter-regional cost allocation. While we consider the likelihood of this occurring and the potential harm to consumers is relatively low, we consider there would be merit in the AEMC including further guidance on how 'materially upgraded' should be interpreted in its final determination.

## Roles of the AER

The AER supports having the mechanistic role set out in the draft rule, confirming that Agreements meet a minimum set of 'implementation criteria' defined in the Rules and that pricing methodologies give effect to this. The AER also supports the implementation criteria being placed in the Rules to provide greater certainty for stakeholders.

The AER further supports the proposed process for implementing Agreements and amended/proposed pricing methodologies and this process being formally set out in the Rules.

Additionally, the AER considers the timeframes proposed in the draft rule by which Transmission Network Service Providers (TNSPs) must submit Agreements, along with reflected pricing methodology, should give sufficient time for the AER to implement cost allocation agreements in pricing methodologies.

## Transitional requirements

The AER supports the proposed process and timeframe (12 months after the final determination is published) set out in the draft rule for updating our pricing methodology guidelines and information guidelines, in accordance with the transmission consultation procedures.

The AER notes this timeframe may prevent the new rule being applicable to the potential conversion of Basslink to a regulated asset. Bringing forward the commencement date of the final rule may provide jurisdictions the option to enter into an Agreement should they consider an alternative cost allocation would be beneficial. We would be happy to continue to engage with the AEMC in relation this issue as it finalises the rule determination.

## Continued engagement

We appreciate the opportunity to provide feedback on the draft determination and are available to discuss our comments further if needed.

Yours sincerely

A large black rectangular redaction box covering the signature area.

Danielle Chifley  
A/g General Manager, Policy

Sent by email on: 01.08.2024