

AER RING-FENCING GUIDELINE (ELECTRICITY TRANSMISSION) - ISSUES PAPER

13 NOVEMBER 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AER's Ring-Fencing Guideline (Electricity Transmission) Issues Paper.

The EUAA supports an equitable transition of the NEM to reach net zero-emissions. This must be undertaken at least cost to consumers while ensuring the NEM continues to be fit-for-purpose while having full transparency in all investment justifications, including costs and tender processes. The EUAA was concerned that without a rule change to close the gaps in the transmission ring-fencing framework identified by the AER, that there was potential for TNSPs to impact competition and discriminate, thereby increasing the cost of the transition and by extension cost for consumers.

EUAA has had reports that new distribution connections that require augmentation of the transmission network, and thus fall under negotiated transmission services, have been quoted (with itemised quotations) at 200 -300% higher cost than alternate suppliers (if the negotiated service was contestable) could provide.

This behaviour results in one of two outcomes, the connection does not proceed due to the high cost (which impacts the ability of the NEM to reach zero-emissions), or the cost to the consumer is increased. Neither of these is a good outcome.

It is from these perspectives that the EUAA supports the AER in including negotiated transmission services in the Ring-fencing Guideline (Electricity Transmission).

We see extending the 5 core ring-fencing obligations to TNSP's in respect of negotiated services will allow for better oversight and transparency with the added bonus of reducing the above discriminatory behaviour. This can only be a good outcome for the transition, NEM and consumers.

We also support AER's proposal to require TNSP's to include negotiated services in their reporting requirements, as required under clause 6A.21.2 of the NER, to facilitate fairness and equity across the TNSP's negotiations, and remove some of the current information asymmetry that allows for discriminatory behaviour.

As was noted by one TNSP's submission to the ring-fencing rule change:

“there are already extensive provisions in the Rules and extensive clauses in competition law that go above and beyond to ensure that corporations do not engage in anti-competitive behaviour”

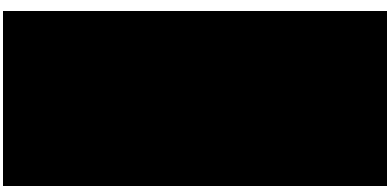
Given this statement, we believe there will be minimal impact to TNSP’s to comply with AER’s proposed changes to the Guidelines.

However, we also recognise that including negotiated services in the Ring-Fencing Guidelines and imposing reporting requirements for negotiated services may impact jurisdictional derogations to TNSP’s in all NEM regions. Waivers are one way of dealing with this issue and we support the period of waivers being extended to allow for longer term issues such as a jurisdictional derogation, however it is not clear to us (and possibly other stakeholders) what issues a TNSP can request a waiver for and what AER is looking for in its assessment of a waiver application. This does not align with a transparent process that the AER are aiming for. We therefore encourage the AER to also clarify in the Ring-Fencing Guidelines what issues the AER would consider in approving an application for a waiver, and those issues that the AER will not consider.

CONCLUDING REMARKS

In summary, the EUAA supports the AER’s proposed changes to the Ring-Fencing Guideline, however further clarity is required around waivers to achieve full transparency.

Do not hesitate to be in contact should you have any questions.



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