

NEGOTIATING FRAMEWORK AND PROPOSED PRICING METHODOLOGY

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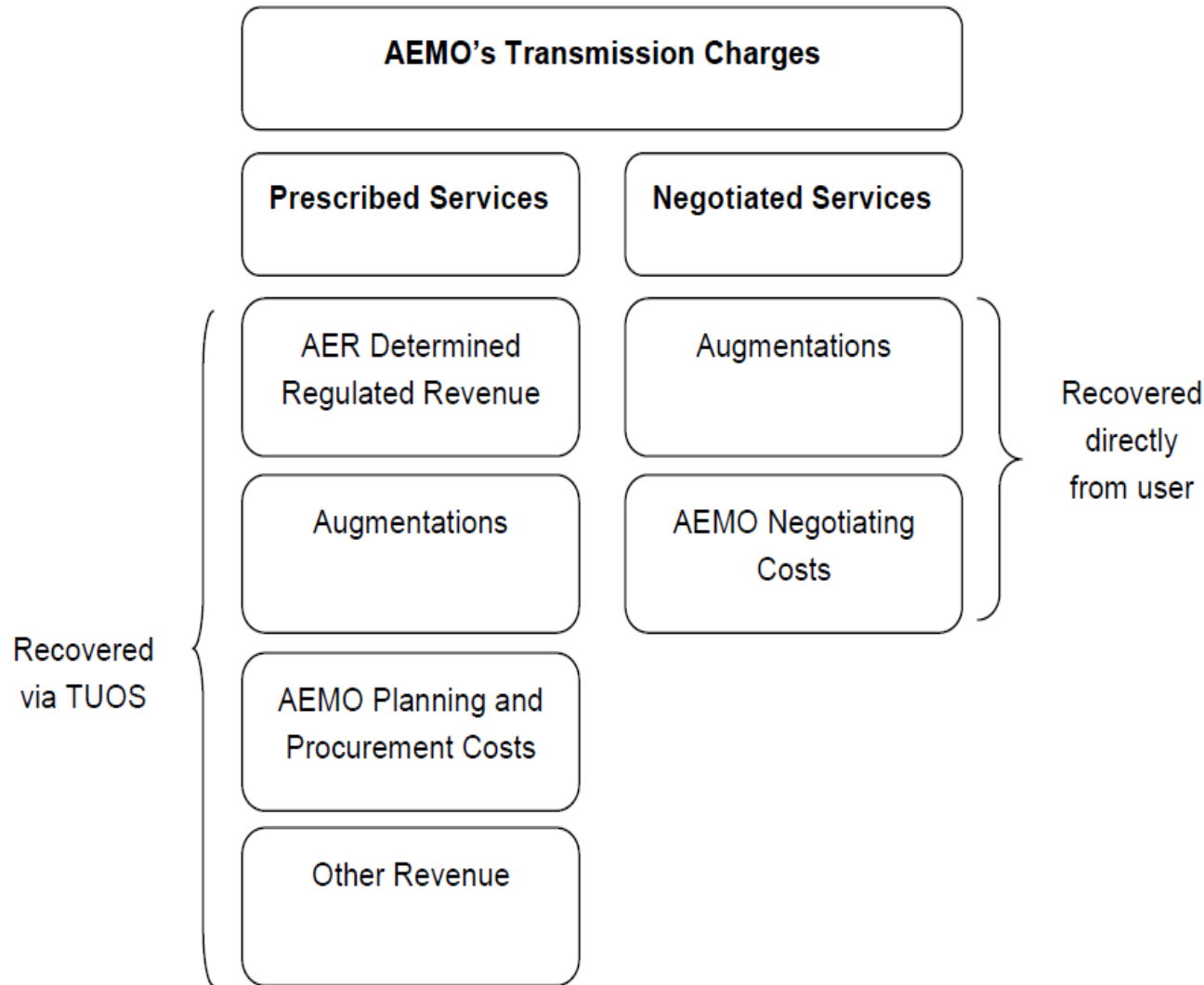


AEMO'S REVENUE DETERMINATION



- Revenue determination applies to
 - Negotiating Framework
 - Pricing Methodology
- Does **not** apply to AEMO's Revenue
 - Most of the revenues recovered by AEMO are determined by the AER's revenue setting process

AEMO'S TRANSMISSION CHARGES



AEMO'S PLANNING RESPONSIBILITIES

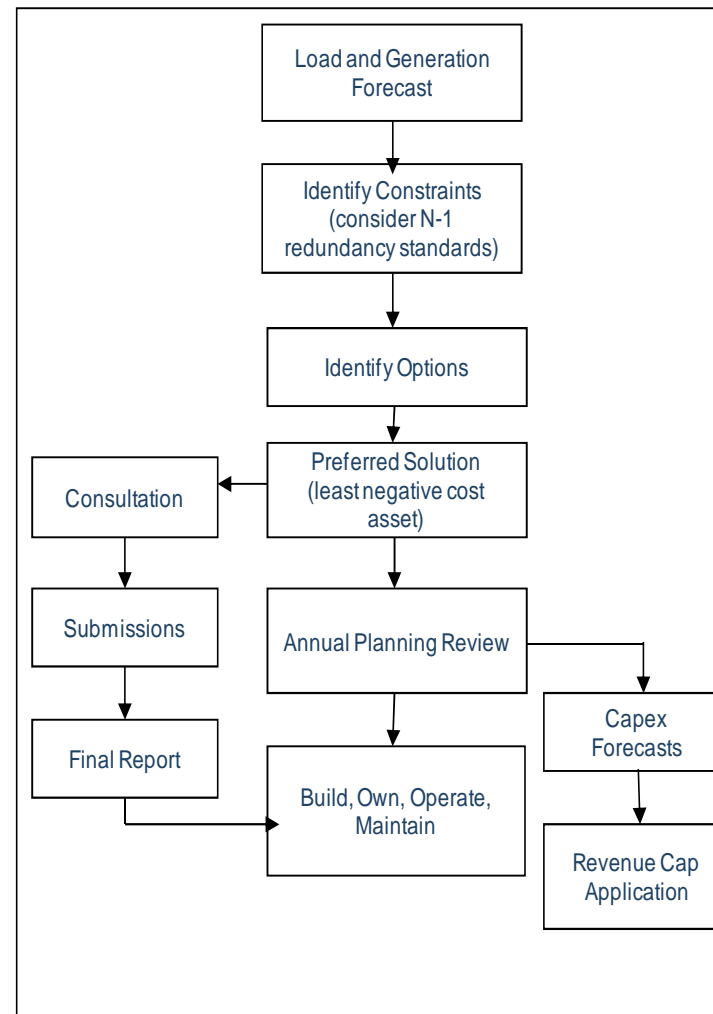
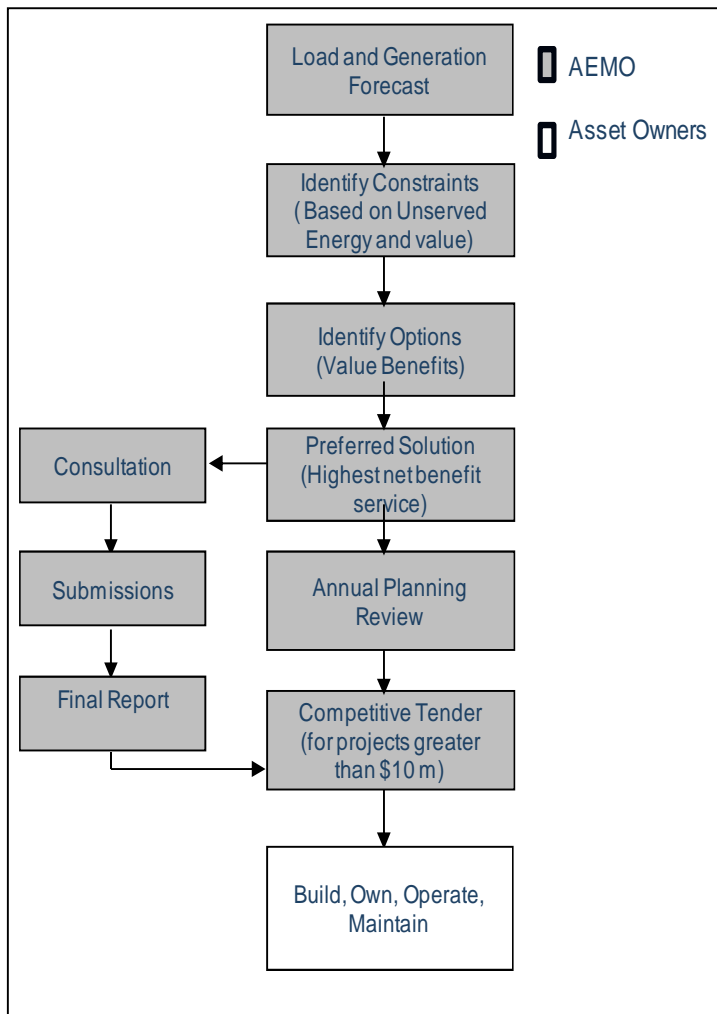


NSW	QLD	VIC	SA	TAS
Network Planning	Network Planning	Network Planning	Network Planning	Network Planning
Decision Making	Decision Making	Decision Making	Decision Making	Decision Making
Connection	Connection	Connection	Connection	Connection
Asset ownership	Asset ownership	Asset ownership	Asset ownership	Asset ownership

Legend:

- AEMO
- AEMO and Asset Owner
- Asset Owner

COMPARISON OF PLANNING APPROACHES



- Victorian Negotiating Framework has been developed jointly with SP AusNet
 - Applies to the whole of service shared and connection
- Intention of this is to clarify and assist connection applicants:
 - with who to approach and
 - when at the time of its new connection.
- The framework is substantially the same as AEMO and SP AusNet's current frameworks

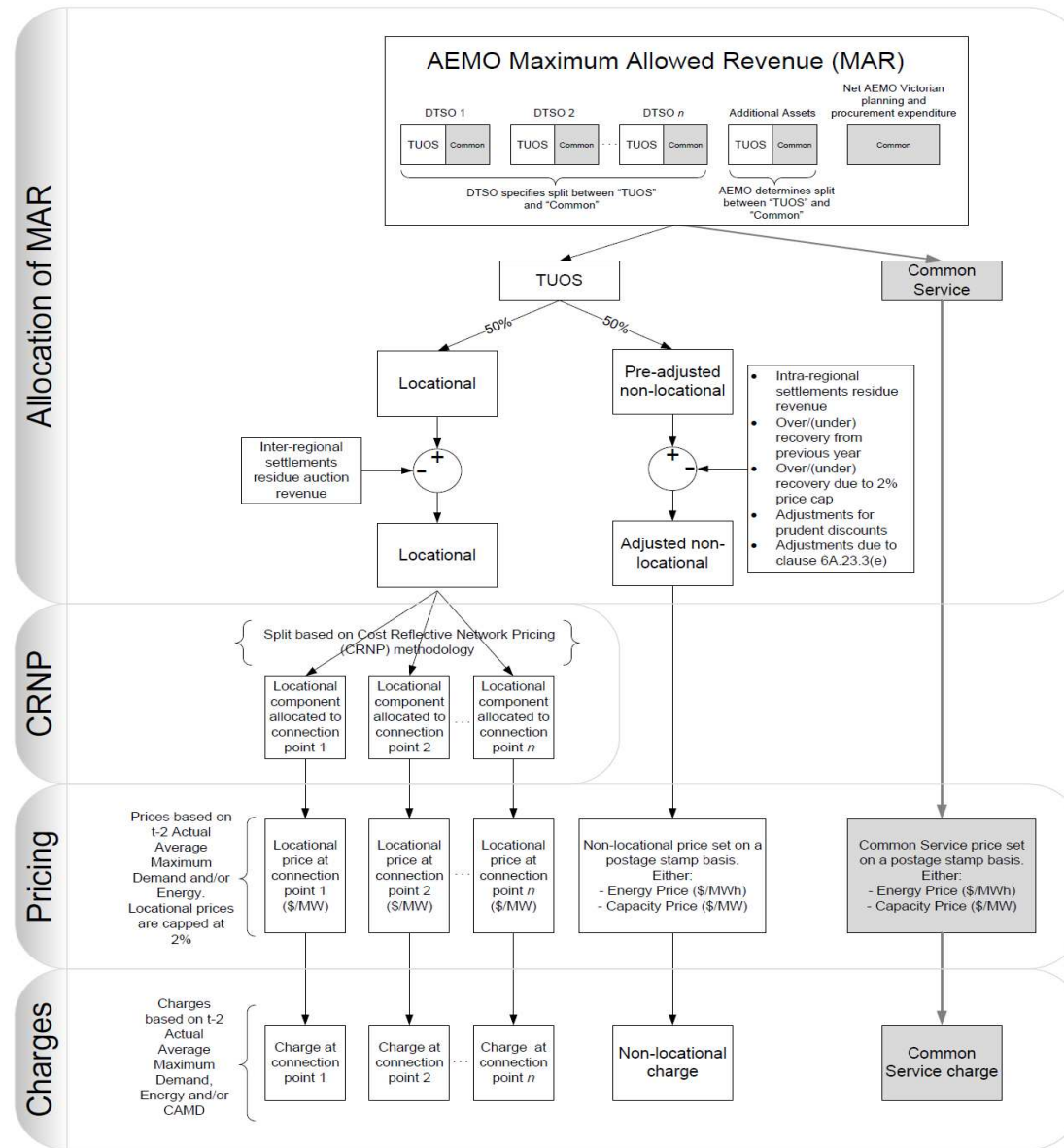
PRICING STRUCTURE



The proposed pricing structure is in line with the AER Guidelines is comprised of:

1. Locational prices – set using Cost Reflective Network Pricing (CRNP) based on network utilisation.
2. Non-Locational prices – postage stamp basis which applies a uniform price for all customers regardless of use.
3. Common service price - postage stamp basis which applies a uniform price for all customers regardless of use.

ALLOCATION PROCESS



PROPOSED METHODOLOGY V CURRENT PRACTICE



Key change – relates to calculation of locational charges

Current practice

Price based on historical demand (t-2)

Charge = price x forecast average maximum demand (for the relevant year)

Reconciliation - last quarter of financial year to adjust charges based on actual maximum demands compared to forecast maximum demands. Outcome of reconciliation requires transmission customers to either pay or be reimbursed in the last quarter.

Proposed approach

Price based on historical demand (t-2) as per current approach

Charge also based on historical demand (t-2)

Charge = price x historical average maximum demand (t-2)

Reason for change

- Greater certainty in charges.
- Charges based on actual data rather than forecast data.
- Both prices and charges will be based on the same set of average maximum demand data.
- Removes need for last quarter reconciliation which can require significant short-term payments or refunds.