



FINAL DECISION
TransGrid transmission
determination
2015–16 to 2017–18

Attachment 14 – Negotiated
services

April 2015

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Note

This attachment forms part of the AER's final decision on TransGrid's revenue proposal 2015–18. It should be read with other parts of the final decision.

The final decision includes the following documents:

Overview

Attachment 1 – maximum allowed revenue

Attachment 2 – regulatory asset base

Attachment 3 – rate of return

Attachment 4 – value of imputation credits

Attachment 5 – regulatory depreciation

Attachment 6 – capital expenditure

Attachment 7 – operating expenditure

Attachment 8 – corporate income tax

Attachment 9 – efficiency benefit sharing scheme

Attachment 10 – capital expenditure sharing scheme

Attachment 11 – service target performance incentive scheme

Attachment 12 – pricing methodology

Attachment 13 – pass through events

Attachment 14 – negotiated services

Contents

Note	14-2
Contents	14-3
Shortened forms	14-4
14 Negotiated services	14-6
14.1 Final decision	14-6
14.2 TransGrid’s revised proposal	14-6
14.3 AER’s assessment approach	14-6
14.4 Reasons for final decision	14-7

Shortened forms

Shortened form	Extended form
AARR	aggregate annual revenue requirement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASRR	annual service revenue requirement
augex	augmentation expenditure
capex	capital expenditure
CCP	Consumer Challenge Panel
CESS	capital expenditure sharing scheme
CPI	consumer price index
DRP	debt risk premium
EBSS	efficiency benefit sharing scheme
ERP	equity risk premium
MAR	maximum allowed revenue
MRP	market risk premium
NEL	national electricity law
NEM	national electricity market
NEO	national electricity objective
NER	national electricity rules
NSP	network service provider

Shortened form	Extended form
NTSC	negotiated transmission service criteria
opex	operating expenditure
PPI	partial performance indicators
PTRM	post-tax revenue model
RAB	regulatory asset base
RBA	Reserve Bank of Australia
repex	replacement expenditure
RFM	roll forward model
RIN	regulatory information notice
RPP	revenue and pricing principles
SLCAPM	Sharpe-Lintner capital asset pricing model
STPIS	service target performance incentive scheme
TNSP	transmission network service provider
TUoS	transmission use of system
WACC	weighted average cost of capital

14 Negotiated services

We must approve a transmission negotiating framework and specify the negotiated transmission service criteria for TransGrid.

In contrast to our regulation of prescribed transmission services, the provision of negotiated transmission services is less directly regulated by the AER. Instead, under the National Electricity Rules (NER), these services are subject to negotiation between parties, or alternatively arbitration and dispute resolution by a commercial arbitrator.

For the purpose of facilitating such negotiation and arbitration, a transmission business must prepare, for our approval, a negotiating framework which sets out procedures for negotiating the terms and conditions of access to a negotiated transmission service.¹ In addition, we specify for each transmission business the negotiated transmission service criteria (NTSC) that it must apply in negotiating terms and conditions of access, including the prices and access charges for negotiated transmission services.² They also contain the criteria that a commercial arbitrator must apply to resolve disputes about such terms and conditions and/or access charges.³

14.1 Final decision

We affirm our draft decision approving TransGrid's proposed negotiating framework.

We will apply to TransGrid the NTSC we published in May 2014.⁴

14.2 TransGrid's revised proposal

TransGrid did not submit a revised negotiating framework. Instead, it accepted the AER's draft decision approving the negotiating framework submitted with TransGrid's initial revenue proposal.⁵

14.3 AER's assessment approach

In reaching our draft decision, we considered whether:

- the proposed negotiating framework specified the minimum requirements in clause 6A.9.5(c) of the NER⁶
- the NTSC sets out criteria reflecting the negotiated transmission service principles in clause 6A.9.1 of the NER⁷

¹ NER, cl. 6A.9.5(a).

² NER, cl. 6A.9.4(a)(1).

³ NER, cl. 6A.9.4(a)(2).

⁴ The NTSC can be accessed via this link: <http://www.aer.gov.au/node.23137>.

⁵ TransGrid, *Revised revenue proposal: 2014–15 to 2017–18*, January 2015, p. 14.

⁶ NER, cll. 6A.9.5(b)(2); 6A.14.3(f).

⁷ NER, cll. 6A.9.4(a) and (b); 6A.14.1(i)

14.4 Reasons for final decision

We affirm our draft decision approving TransGrid's proposed negotiating framework because it specifies and meets the minimum NER requirements.⁸ These include, among other things, a statement that TransGrid will negotiate in good faith and a description of procedures for dealing with disputes. For our full reasons for approving TransGrid's proposed negotiating framework, refer to attachment 14 of our draft decision: <http://www.aer.gov.au/node/23137>.

The NTSC we published in May 2014 sets out criteria reflecting the negotiated transmission service principles in clause 6A.9.1 of the NER.⁹ We therefore confirm that it will apply to TransGrid in the 2015–18 regulatory control period.

⁸ NER, cl. 6A.9.5(c).

⁹ The NTSC can be accessed via this link: <http://www.aer.gov.au/node.23137>.