

Australian Energy Regulator
Contribution Determination for 2023-24

1. On 12 November 2021, the Australian Energy Regulator (AER) was appointed as a Regulator under the *Electricity Infrastructure Investment Act 2020 (NSW)* (the EII Act).
2. Under section 56 of the EII Act, the AER is required to make an annual contribution determination in which it determines the amount for a financial year (a contribution determination) that is required for the Scheme Financial Vehicle to be able to make payments from the electricity infrastructure fund (the Fund) that are required under the EII Act, including an amount for the Scheme Financial Vehicle to meet its liabilities as they fall due.

AER's Contribution Determination

3. On 3 February 2023, the AER made the following contribution determination under section 56(1) of the EII Act.
 - a. The total contribution determination amount for 2023-24 is \$138.14 million.
 - b. The minimum prudent cash balance allowance required for the Fund for 2023-24 is \$59.92 million.
 - c. The amounts required to be paid by each NSW Distribution Network Service Provider are:
 - i. Ausgrid \$61.45 million.
 - ii. Endeavour Energy \$48.86 million.
 - iii. Essential Energy \$27.83 million.

Details of how the contribution determination was made

4. The AER made this contribution determination in accordance with the process and methodology set out in its Contribution Determination Guideline (guideline).¹
5. The methodology the AER applied in making this contribution determination is set out in its Contribution Determination Excel Template (template).²
6. Schedule 1 shows a public version of the completed template and contains the underlying data inputs provided by the scheme entities and NSW Distribution Network Service Providers. The AER used these data inputs to calculate the contribution determination amounts.³ In line with the process set out in the AER's guideline, the AER undertook a quality assurance check of all data provided.

Matters taken into account

7. In making a contribution determination, the AER must take into account the matters listed in regulation 35 of the *Electricity Infrastructure Investment Regulation 2021 (NSW)* (EII Regulation). Table 1 summarises how the AER has taken these matters into account.

¹ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/nsw-contribution-determination-guideline>

² As above.

³ This year, the public version of the contribution determination template contains limited data. This is because much of the data underlying the AER's contribution determination relates to ongoing competitive tender processes. These processes could be compromised if the data were published. However, we intend for this data to be published once it becomes historical and no longer relevant to ongoing tender processes.

Table 1

Matters listed in regulation 35	How the AER has taken the matter into account
35(1) ... (a) the need to limit variability in contribution determinations from year to year, ...	The AER's methodology, as set out in the guideline, ⁴ manages variability by applying a 3-year rolling average of net costs. ⁵
<p>... (b) the equitable allocation of the contribution determination between distribution network service providers based on each provider's—</p> <p>(i) volumetric energy delivery in the previous financial year, and</p> <p>(ii) peak demand in the previous financial year, ...</p>	The AER's methodology for apportioning costs across NSW Distribution Network Service Providers is set out in the guideline and is based on volumetric energy and peak demand metrics. ⁶ This methodology apportions the costs of long-term energy service agreements on an energy delivered metric basis, and all remaining costs elements on a peak demand metric basis.
... (c) the need for the scheme financial vehicle to be able to meet its liabilities as they fall due, ...	<p>The AER's methodology, set out in the guideline,⁷ addresses this issue in the following ways:</p> <ul style="list-style-type: none"> • The contribution determination reflects the Scheme Financial Vehicle's forthcoming liabilities in that it is based on a 3-year rolling average of net costs. <ul style="list-style-type: none"> ○ each scheme entity provided the AER with estimates of costs under its responsibility for 2 leading years and 1 lagging year. ○ this captured the costs of long-term energy supply agreements, payments to network operators and the administration costs of scheme entities.⁸ • the contribution determination includes a minimum prudent cash balance allowance, which is required under section 56(3)(a) of the EII Act.
... (d) information provided to the regulator by the consumer trustee, the financial trustee, the	The AER made its contribution determination using data provided by the scheme entities and NSW Distribution Network Service Providers.

⁴ AER, [Contribution Determination Guideline](#), September 2020, chapter 3.

⁵ AER, [Contribution Determination Guideline](#), September 2020, chapter 3, section 5.2.

⁶ AER, [Contribution Determination Guideline](#), September 2020, sections 3, 5.3 and 5.4.

⁷ AER, [Contribution Determination Guideline](#), September 2020, chapter 3.

⁸ AER, [Contribution Determination Guideline](#), September 2020, figure 1.

Matters listed in regulation 35	How the AER has taken the matter into account
infrastructure planner or the Tribunal. ...	

Consultations with the Financial Trustee

8. In making its contribution determination, the AER consulted with the Financial Trustee as required by section 56(6)(a) of the EII Act.

Schedule 1 – Public version of contribution determination template

AER contribution determination model

2023–24

Electricity Distribution Network Service Provider

Description Table 1 | Keys

Key:



Annual SFV input
Calculation
N/A

Version Record **Date** **Description**

1.0	May-22	Draft Contribution Determination model for public consultation
1.0.1	Jun-22	Draft Contribution Determination model for public consultation revised
1.0.2	Jul-22	Draft Contribution Determination model for internal AER use and revisions
1.0.3	Jul-22	Draft Contribution Determination model implementing mock trial comments and other enhancements for internal AER use
1.0.4	Aug-22	Draft Contribution Determination model with additional table and enhancements for internal AER use
1.0.5	Aug-22	Draft Contribution Determination model with additional labelling and enhancements including Redact functionality
1.0.6.2	Oct-22	Contribution Determination model for AER use after minor revisions

Each worksheet includes space for commentary and notes on column W

Contents

Link to Guideline

Submission Details

Date of Submission
Name of Agency Submitting

30 November 2022
SFV

Changelog (to detail completion of inputs, and any changes to inputs)

Date

Description

End

AER contribution determination model - 2023-24

Tables

Output Table 1 | Contribution Determination for Forecast Year

Source	Unit	2023-24	Notes
Apportioned Total Costs by DNSP			
Assigned	'Apportion to DNSP'	\$millions	61.45
Endeavour Energy	'Apportion to DNSP'	\$millions	48.86
Essential Energy	'Apportion to DNSP'	\$millions	27.83
Total	'Calculation'	\$millions	138.14
Including Minimum Prudent Balance Adjustment	'Financial'	\$millions	59.92

Output Table 5 | Minimum Prudent Balance Adjustment by Year

Source	Unit	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
Minimum Prudent Balance													
Adjustment to ensure MPB (notional)	'Financial'	\$millions			59.92								

Output Table 10 | Revenues & Expenditure Percentage Deviation from Previous Year

Source	Unit	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Notes
Revenues & Expenditure Percentage Deviation from Previous Year													
Total Revenue Deviation from Previous Year	Calculation	\$millions											
Total Expense Deviation from Previous Year	Calculation	\$millions											
Total Net Expense Deviation from Previous Year	Calculation	\$millions											

End

AER contribution determination model - 2023–24
Financial

All inputs are GST exclusive

Input table 3 Financial Information			Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Notes
Economic Variables																
Contribution Determination Interest Rate	SFV	Per cent	Yes	Yes												
Initial Grant																
Repayable Grant	SFV	\$millions	Yes	Yes												
Loan Facility Costs	SFV	\$millions	Yes	Yes												
Input table 4 Revenues			Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Notes
Contribution Determination Amount																
Contribution Determination Amount (historical)	SFV	\$millions	No	No		0.00										Historical amounts prior to forecast year only
Contribution Determination Revenue																
Collected Revenue from DNSP contributions (historical)	SFV	\$millions	No	No		0.00										Historical amounts prior to forecast year only
Other Revenue																
LTESA - Generation	SFV	\$millions	Yes	Yes												
LTESA - LDS & Firming	SFV	\$millions	Yes	Yes												
Risk management contracts	SFV	\$millions	Yes	Yes												
Other Revenue	SFV	\$millions	Yes	Yes												
Access fees	SFV	\$millions	Yes	Yes												
Interest on investment activities	SFV	\$millions	Yes	Yes												
Total Revenue (Excluding Contribution Determinations)	Calculation	\$millions	Yes	Yes												
Input table 5 Expenditure			Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Notes
LTES Expenditure (SFV)																
LTESA - Generation (SFV)	SFV	\$millions	Yes	Yes												
LTESA - LDS & Firming (SFV)	SFV	\$millions	Yes	Yes												
Risk management contracts (SFV)	SFV	\$millions	Yes	Yes												
Total LTES Expenditure	Calculation	\$millions	Yes	Yes												
Payments to Network Operators (NSW EnCo)																
Payments to Network Operators (NSW EnCo)	SFV	\$millions	Yes	Yes												
Total Payments to Network Operators	Calculation	\$millions	Yes	Yes												
Administration Expenditure																
Administration (AER)	SFV	\$millions	No	No		3.46	3.58	3.71								
Administration (Consumer Trustee)	SFV	\$millions	No	No		36.77	35.65	36.52								
Administration (Financial Trustee)	SFV	\$millions	No	No		0.38	0.26	0.26								
Administration (Financial Trustee - SFV)	SFV	\$millions	No	No		4.70	6.21	7.07								
Administration (IPART)	SFV	\$millions	No	No		1.75	1.76	1.58								
Administration (NSW EnCo)	SFV	\$millions	No	No		3.60	9.80	9.08								
Total Administration Expenditure	Calculation	\$millions	No	No		0.00	50.63	57.26	58.21	0.00	0.00	0.00	0.00	0.00	0.00	
Other Costs																
Access scheme costs (EnergyCo)	SFV	\$millions	Yes	Yes												
Community Payments	SFV	\$millions	Yes	Yes												
Other Costs	SFV	\$millions	Yes	Yes												
Loan Facility Costs	Calculation	\$millions	Yes	Yes												
Total Other Costs	Calculation	\$millions	Yes	Yes												Referenced from Input Table 1
Total Expenditure	Calculation	\$millions	Yes	Yes												
Input table 6 Loan Repayments			Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Notes
Loan Repayments																
Repayment of Grant (\$m)	SFV	\$millions	Yes	Yes												
Repayment of Additional Loans (\$m)	SFV	\$millions	Yes	Yes												
Interest and Finance Cost	SFV	\$millions	Yes	Yes												
Total Loan Repayments	Calculation	\$millions	Yes	Yes												
Input table 7 Minimum Prudent Balance			Confidentiality Claimed Re Actuals Up to (2021–22) (Actuals)	Confidentiality Claimed Re Forecast (2022–23 and beyond)	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Notes
Minimum Prudent Balance																
Adjustment to ensure MPB (notional)	SFV	\$millions	No	No			59.92									Input MPB for forecast years only
Minimum Prudent Balance	Calculation	\$millions	No	No		0.00	0.00	59.92	59.92	59.92	59.92	59.92	59.92	59.92	59.92	Running Balance
End																