

Our Ref: 15088458  
Contact Officer: Mark Feather  
Contact Phone: 03 9290 6958

18 July 2023

Anna Collyer  
Chair  
Australian Energy Market Commission  
Level 15, 60 Castlereagh St  
Sydney NSW 2000

By email

Dear Ms Collyer

**Request for change to the National Electricity Rules (NER) – Expanding the transmission ring-fencing framework to include negotiated transmission services**

Please find enclosed the Australian Energy Regulator's (AER) rule change request relating to the inclusion of negotiated transmission services within the scope of the Transmission Ring-fencing framework. Specifically, the AER requests that clause 6A.21.2(a) of the NER be amended to allow for the accounting and functional separation of the provision of negotiated transmission services, as well as prescribed transmission services, from the provision of other services by electricity transmission network service providers (TNSPs).

The proposed rule change would address concerns raised by parties who have connected to the transmission network about the potential for TNSPs to discriminate in favour of themselves or an affiliate when providing connection services as a result of their monopoly provision of negotiated transmission services. The ability of TNSPs to discriminate in the provision of connection services has the potential to hinder competition in the connections market and result in inefficient and costly connection to the transmission network. The risk of this harm may increase throughout the energy transition as the number of connections to the transmission network increases to facilitate the introduction of over 125 GW of additional variable renewable energy by 2050.<sup>1</sup> Any inefficiencies in the connection framework due to market power will delay, and increase the cost of, the transition.

The manner in which ring-fencing requirements would ultimately be implemented would need to be considered as part of a full review of the Transmission Ring-fencing Guideline, which would require a further thorough consultation process.

This rule change proposal has been prepared in accordance with section 92 of the NEL and includes the text of the AER's proposed rule amendment. Given the extensive consultation process undertaken by the AER in preparing this rule change request, including inviting

---

<sup>1</sup> AEMO, 2022 *Integrated System Plan*, June 2022, p. 48.

public submissions on the issue through the draft transmission ring-fencing guideline published in November 2022<sup>2</sup> and the consultation paper published in May 2023,<sup>3</sup> the AER proposes that the enclosed rule change proposal be progressed as a 'fast track' in accordance with section 96A of the NEL.

Should you have any questions regarding the enclosed request, please contact Mark Feather on 03 9290 6958

Yours sincerely

A handwritten signature in black ink that reads "James Cox". The signature is written in a cursive style with a large initial 'J' and 'C'.

James Cox PSM  
Acting Chair

Sent by email on: 18.07.2023

---

<sup>2</sup> <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/ring-fencing-guideline-electricity-transmission-2023/draft>.

<sup>3</sup> <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/review-of-options-to-address-gaps-in-transmission-ring-fencing-framework>.