



Victorian Energy Networks Corporation

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Mr Chris Pattas
General Manager – Network Regulatory (South)
Australian Energy Regulatory
GPO Box 520
MELBOURNE VIC 3001

Dear Chris

Revised Negotiating Framework

In its Draft Decision on VENCorp's transmission determination of 30 November 2007 the AER considered that only one aspect of VENCorp's proposed Negotiating Framework did not satisfy the minimum requirements of clause 6A.9.5(c).

To satisfy the minimum requirements of clause 6A.9.5(c) the AER requires the following words to be inserted into the Negotiating Framework:

"In the event that VENCorp's reasonable direct expenses are less than the application fee paid by the Service Applicant, VENCorp will refund or credit the difference to the Service Applicant"

We are pleased to provide you with a revised Negotiating Framework which incorporates the AER's suggested wording.

VENCorp does not claim confidentiality in any of the information contained in either this letter or the revised Negotiating Framework.

We would be happy to discuss any aspect of revised Negotiating Framework with you further. If you have any questions please do not hesitate to contact Louis Tirpcou on (03) 8664 6615.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Zema'.

Matt Zema
Chief Executive Officer
att.

Negotiating Framework

At the same time as submitting a Revenue Proposal, VENCORP must also submit to the AER a proposed negotiating framework. The proposed negotiating framework must comply with the requirements of, and must contain or be accompanied by such information as is required by, the submission guidelines.

Section 5 of the AER's submission guidelines requires the proposed negotiating framework to:

- specify that the TNSP must provide an applicant for a negotiated transmission service with a description of the nature of the negotiated transmission service, including details of what the TNSP would provide as part of that service;
- specify other matters and information which reflect the requirements in clause 6A.9.5; and
- not be inconsistent with Chapters 4, 5 and 6A.

Clause 6A.9.5(c) provides that the negotiating framework for a TNSP must specify:

- a requirement for the provider and a Service Applicant to negotiate in good faith the terms and conditions of access for provision of the negotiated transmission service;
- a requirement for the provider to provide all such commercial information as a Service Applicant may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the negotiated transmission service, including the cost information described in subparagraph (3)
- a requirement for the provider:
 - to identify and inform a *Service Applicant* of the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the *negotiated transmission service*; and
 - to demonstrate to a *Service Applicant* that the charges for providing the *negotiated transmission service* reflect those costs and/or the cost increment or decrement (as appropriate);
- a requirement for a Service Applicant to provide all such commercial information as the provider may reasonably require to enable the provider to engage in effective negotiation with that applicant for the provision of the negotiated transmission service
- a reasonable period of time for commencing, progressing and finalising negotiations with a Service Applicant for the provision of the negotiated transmission service, and a requirement that each party to the negotiation must use its reasonable endeavours to adhere to those time periods during the negotiation;
- a process for dispute resolution which provides that all disputes as to the terms and conditions of access for provision of negotiated transmission services are to be dealt with in accordance with Part K of this Chapter 6A;
- the arrangements for payment by a Service Applicant of the provider's reasonable direct expenses incurred in processing the application to provide the negotiated transmission service;
- a requirement that the Transmission Network Provider determine the potential impact on other Transmission Network Users of the provision of the negotiated transmission service; and
- a requirement that the Transmission Network Service Provider must notify and consult with any affected Transmission Network Users and ensure that the provision of the negotiated transmission services does not result in non-compliance with obligations in relation to other Transmission Network Users under the Rules.

The following sets out VENCORP's electricity negotiating framework.

Negotiating Framework For Electricity Negotiable Services

This document sets out VENCORP's negotiating framework for the purposes of clause 6A.9 of the National Electricity Rules, and forms part of VENCORP's *transmission determination* for the period 1 July 2008 to 30 June 2014. The terms used in this document are defined in the National Electricity Rules.

1. Negotiation in good faith and reasonable endeavours to adhere to time periods

VENCORP and a *Service Applicant* shall negotiate in good faith *the terms and conditions of access* for the provision of *negotiated transmission services* under this framework and use reasonable endeavours to commence, progress and finalise negotiations in a timely manner. Where the *negotiated transmission services* sought by the *Service Applicant* relate to *connection*, VENCORP will comply with any applicable time periods required under clause 5.3 of the National Electricity Rules.

2. VENCORP and Service Applicants to provide information

Subject to any confidentiality obligations owed by either VENCORP or *Service Applicant* to any third party:

- VENCORP will provide all such commercial information as a *Service Applicant* may reasonably require to enable the *Service Applicant* to engage in effective negotiation with VENCORP for the provision of negotiable services; *negotiated transmission services*, including a description of the nature of the *negotiated transmission service* and details of what VENCORP would provide as part of that service; and
- A *Service Applicant* shall provide all such commercial information as VENCORP may reasonably require enabling VENCORP to engage in effective negotiation with the *Service Applicant* for the provision of *negotiated transmission services* including a detailed description of the negotiable service required.

3. Confidentiality

Each of VENCORP and a *Service Applicant* shall observe any confidentiality restrictions placed on commercial information provided to it by the other party under paragraph 2, in accordance with clause 6A.9.6(a)(12) or (b)(2) of the National Electricity Rules. This obligation:

- shall not apply to the extent that VENCORP or the *Service Applicant* is required to disclose the confidential information under any law, Rules or regulation, or any requirement of a Government Minister or body; and
- does not limit any obligations of VENCORP and any *Service Applicant* under clause 5.3.8 of the National Electricity Rules.

4. Cost of the negotiated transmission services

VENCorp shall inform a *Service Applicant* of the reasonable costs, or change in costs, of VENCorp providing *negotiated transmission services* to the *Service Applicant*, and shall demonstrate to the *Service Applicant* that these reflect the costs, or change in costs, of VENCorp providing the *negotiated transmission services*.

5. Dispute Resolution

All disputes concerning negotiations for *negotiated transmission services* shall be dealt with in accordance with Part K of Chapter 6A of the National Electricity Rules.

6. Payment of VENCorp's direct expenses

A *Service Applicant* shall pay VENCorp's direct expenses incurred in processing its application for *negotiated transmission services*. Those expenses must be reasonable and are payable by a *Service Applicant* when reasonably required by VENCorp.

Generally, VENCorp will require a *Service Applicant* to pay a fee on application on account of VENCorp's anticipated reasonable direct expenses associated with processing the application to provide *negotiated transmission services*. This application fee will be a minimum of \$15,000.

In the event that VENCorp's reasonable direct expenses are less than the application fee paid by the *Service Applicant*, VENCorp will refund or credit the difference to the *Service Applicant*.

7. Potential impact on other Network Users

VENCorp will determine the potential impact on other *Transmission Network Users* of provision of a *negotiated transmission service*. VENCorp will notify and consult with any affected *Transmission Network Users* to ensure that the provision of a *negotiated transmission service* does not result in non-compliance with obligations in relation to those *Transmission Network Users* under the National Electricity Rules or under contractual arrangements with VENCorp.

9. VENCorp and Network User to comply with Framework

VENCorp and *Service Applicant* shall comply with the terms of this negotiating framework when negotiating for the provision of a *negotiated transmission service*. However, in the event of any inconsistency between this framework and the requirements of Chapters 4, 5 or 6A of the National Electricity Rules, those requirements will prevail over the relevant terms of this framework.