ETSA Utilities

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7 October 2009

Dr John Tamblyn
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Dr Tamblyn,

Request for changes to the National Electricity Rules to better accommodate Feed-in Schemes and Climate Change Funds

ETSA Utilities requests, pursuant to clause 91 of the National Electricity Law, that the Commission make a change to Chapter 6 of the National Electricity Rules.

As you would be aware, many jurisdictions are in the process of introducing photovoltaic (**PV**) feed-in schemes by which end customers with distributed renewable generation installations are paid a premium price for the energy those installations generate and/or feed into the network. The price for this energy is set by the scheme proponents and is typically reflective of each jurisdictions' assessment of the benefits that such a scheme will bring in the form of encouraging small renewable electricity generation and greenhouse gas emission reduction.

There is the potential (and in some cases it is already mooted) that more such schemes would be introduced such as distributed wind feed-in tariff schemes.

Similarly NSW has adopted a Climate Change Fund, the collection mechanism for which (that is via DNSP's charging energy customers) is similar to PV Feed-in Tariffs.

Although there is a degree of variation between these schemes and funds, common features include that *DNSPs* are both the ultimate vehicle through which payments are made to customers for the gross or net energy they produce or to the fund for climate change abatement initiatives and, by levying incremental charges, the means by which these payments can be recovered from the general population of customers.

While the above mechanism is a convenient one to fund the schemes, the amounts to be collected are unrelated to the network services provided by the *DNSP*. *DNSPs* have no real control over whether this energy is produced or in what quantities. Consequently the Chapter 6 revenue rules that are designed for efficient costing and pricing for network service providers are not well suited for collecting and paying for feed-in generation.

Instead, if passed, the enclosed rule change would provide for the payments under feed-in schemes and climate change funds to be collected and paid in a similar way to that by which *DNSPs* currently collect *TUOS* charges and pass them back to *TNSPs*.

The enclosed submission explains how this rule change promotes the *national electricity objective* and, to the extent relevant under section 88B of the National Electricity Law, the revenue and pricing principle considerations.

ETSA Utilities consider that the proposed arrangements will maximise the transparency of operation of such schemes whilst minimising the administrative costs of compliance to both the AER and *DNSPs*.

ETSA Utilities would request that the AEMC consider the Rule change on the basis that the rule change will be non-controversial. ETSA Utilities has consulted with *DNSPs* in other relevant jurisdictions (QLD, Victoria, NSW, ACT, Victoria and Tasmania), the South Australian Government, and the AER, providing them with a draft of the proposed Rule change and supporting submission, and they have responded in one of the following ways:

(a) active support for this proposal as initially proposed to them by ETSA Utilities;

(b) support for this proposal with suggested amendments which ETSA Utilities has made prior to lodgement with the AEMC; or

(c) not expressed any concern.

Almost all responses fell into categories (a) or (b).

In addition, as the Rule change would not impact upon other electricity industry participants, ETSA Utilities would not expect there to be any concern to the proposal from other groups. ETSA Utilities would, however, be pleased to consult with any party who may have a perspective on this rule change proposal.

Currently, feed-in tariffs and climate change funds require the DNSP to forecast the feed-in tariff or climate change fund payments in their regulatory proposal, with a cost pass-through event to resolve the overs/under balance, as occurred in the AER decision for ActewAGL. The current approach results in owners of PV cells receiving a premium price for energy (or other broadly similar payments being made), which is paid for by other customers. The proposed rule will not change the quantum or incidence of these payments, rather it will change the mechanism that permits the payments and enables the DNSP to conduct the funds collection role. Therefore, customers generally, PV cell owners in particular and other recipients of funds would remain unaffected by the proposal. In fact the only affected NEM participants would be the AER and DNSPs, with the effects being:

1. It will simplify how DNSPs are able to make payment and recover those payments from other customers.

2. It will remove the need for DNSPs reset submissions to forecast the payments that will be required over the regulatory period.

3. It will remove the requirement of the AER to assess the reset submission forecast of the mandated payments against the opex criteria for efficiency (which is needless).

4. It will remove the need for the AER to assess potential pass-through of additional payments that were reasonably not forecast.

Given the rule proposal only affects the AER and the DNSPs (whose views have been solicited prior to this proposal without demur) and these effects are beneficial, the rule proposal is very unlikely to have a significant negative effect on the national electricity market and will likely improve its cost effective operation.

There would be value in the proposal being expedited on a non-controversial timeframe as both ETSA Utilities and the Queensland *DNSPs* are currently undergoing regulatory resets and it would be desirable to resolve this issue before those determinations are finalised. Further, the Victorian distribution businesses are part-way through regulatory proposals and so would presumably also be assisted by clarification.

Should you have any questions or queries regarding any of the issue discussed in this proposal please contact James Bennett on (08) 8404 5261.

Yours sincerely,

Lewis Owens
Chief Executive Officer

ATTACHMENT A

NATIONAL ELECTRICITY LA W

REQUEST FOR A RULE CHANGE

RELATING TO

FEED-IN SCHEMES AND

CLIMATE CHANGE FUNDS

A. NAME AND ADDRESS OF PERSON MAKING THE REQUEST

ETSA Utilities
1 Anzac Highway
Keswick
South Australia 5035

B. Introduction

B.1 Feed-in tariffs

Feed-in tariff schemes are becoming increasingly common features of the electricity industry as countries around the world adopt a range of initiatives to ameliorate carbon emissions.

Within the NEM, the following jurisdictions already have (or intend shortly to have) PV Feed-in tariffs:

- Australian Capital Territory – commenced 1 March 2008[1]
- South Australia – commenced 1 July 2008[2]
- Queensland – commenced 1 July 2008[3]
- Victoria - due to commence 2009/2010[4]

[1] Section 6 of the *Electricity Feed-in (Renewable Energy Premium) Act 2008* (ACT), requires, as a licence condition, that a liable distribution network operator pay an electricity supplier an amount which is the difference between the 'normal' price (6 cents per kWh) and the current Premium Rate (50.05 cents per kWh) for any electricity fed in to the network by a National Electricity Law compliant renewable energy generator (<30kW) operated by that customer.

[2]Section 36AD of the *Electricity Act 1996* (SA), requires, as a licence condition, that a liable distribution network operator credit against charges payable by a qualifying customer an amount of $0.44 per kWh for any electricity fed in to the network by a small photovoltaic generator (<30kW) operated by that customer.

[3]Section 44A(1) of the *Electricity Act 1994* (Qld), requires, as a condition of the distribution authority, that a distribution entity credit a small customer an amount of 44 cents per kWh for any electricity fed in to the network by a qualifying generator in excess of the amount used by that customer.

[4] The *Electricity Industry Amendment (Premium Solar Feed-in Tariff) Act 2009* was assented to on 5 August 2009. Once amended, section 40FH of the *Electricity Industry Act 2000* will require as a licence condition a distribution company to pay the amount of 60 cents per kWh for qualifying solar energy generation conveyed along its distribution network.

- New South Wales – due to commence 1 January 2010.[5]

Although PV feed-in tariffs are the first to be adopted, it has been mooted (and seems logical and a cost effective response to climate change) that there is an ability to substitute between PV and other similarly greenhouse friendly forms of distributed energy (such as wind energy) and that these might be treated in the same fashion.

There are two common types of feed-in tariff. Gross feed-in tariffs provide for customers who generate electricity using eligible generation systems to be paid for all the electricity generated. Net feed-in tariffs provide for customers who generate electricity using eligible generation systems to be paid only for the electricity exported into the distribution network which is surplus to, or over-and-above, that which they consume.

While, at present, at least one jurisdiction (the ACT) has adopted a gross feed-in tariff and others have adopted, or are considering adopting, a net feed-in tariff, the details of those schemes could be altered over time.

While the detail of each jurisdictions' scheme does differ, the schemes typically provide that if consumers install eligible generation systems and provide electricity back into the distribution grid, the Distribution Network Service Provider (**DNSP**):

- must pay a rebate to the customer who generates the electricity; and
- may pass the payments made by the DNSP under the scheme on to the general population of distribution network customers.

For example, the South Australian Feed-in Tariff scheme imposes a licence obligation on ETSA Utilities to credit a qualifying customer a premium rate of 44 cents per kWh of electricity that the customer has fed into the network through a small photovoltaic generator.[6]

ETSA Utilities considers it reasonable that DNSPs should perform this role in relation to feed-in tariffs, recognising that it can be a convenient, effective and efficient mechanism to facilitate these schemes' success. However, these schemes have particular features that are not currently well accommodated in the National Electricity Rules (the **Rules**) and hence ETSA Utilities considers that a rule change is necessary.

B.2 NSW Climate Change Fund

The NSW Government has implemented a Climate Change Fund in July 2007 (*Energy and Utilities Administration Amendment (Climate Change Fund) Act 2007* No 35). The Fund enables a wide range of climate change initiatives to be undertaken with financing recovered through electricity and water distributors.

The relevant Minister may require State water agencies or distribution network service providers to make contributions to the Climate Change Fund.

The purposes of the Fund are to:

1. provide funding to reduce greenhouse gas emissions and the impacts of climate change associated with water and energy activities;

[5]NSW's Solar Bonus scheme will pay energy customers with solar PV systems (<10 kW) 60 cents per kWh for electricity that is fed back into the grid. Funding for the Scheme will be borne by the electricity distributors who are expected to pass those costs back to electricity consumers.
[6] *Electricity Act 1996* (SA), s 36AD

2. provide funding to encourage water and energy savings and the recycling of water;

3. provide funding to reduce the demand for water and energy, including addressing peak demand for energy;

4. provide funding to stimulate investment in innovative water and energy savings measures;

5. provide funding to increase public awareness and acceptance of the importance of climate change and water and energy savings measures; and

6. provide funding for contributions made by the State for the purposes of national energy regulation.

We note that Chapter 11 of the Rules (NSW and ACT transitional Chapter 6) includes clause 6.18.2(5A) which provides for a pricing proposal to set out the amounts paid to the NSW Climate Change Fund for the relevant regulatory years.

B.3 Chapter 6 network regulation

At the time that Chapter 6 was drafted (and its predecessor instruments) there were no feed-in schemes or climate change funds in the form now being implemented and there is no formal recognition of the schemes in the Rules.

Chapter 6 of the Rules currently provides a framework for:

1. DNSPs to collect transmission use of system charges (TUOS) from their customers and pay the funds to TNSPs; and

2. DNSPs to be recompensed for the efficient costs of the network services they provide, incorporating efficiency incentives in relation to those services.

The first element of this framework specifically deals with TUOS and therefore cannot be used to deal with PV feed-in schemes.

The second aspect of the framework is dealt with as follows:

- an opex and a capex forecast is established which, amongst other things, should reflect the efficient costs of providing network services;

- prices or revenues are 'locked in' for five years; and

- DNSPs thereby have an incentive to behave efficiently to contain costs to improve profitability. DNSPs are exposed to the commercial risks that they can control and are best able to manage.

The above opex and capex forecasts include the ability for network service providers to recover the efficient costs of meeting regulatory obligations, not only in regard to network service provision, but also more broadly, and therefore could be utilised to deal with PV feed-in. Such broader obligations are not, however, generally the focus of the incentive regulatory regime.

Within Chapter 6, there is also a regime providing for pass-through of certain uncontrollable costs but, again, the focus of the assessment is upon efficiency in network service provision.

Also within Chapter 6 there are a number of mechanisms to facilitate efficient demand side management, network support and other actions that reduce the need for network investment. However, those mechanisms are aimed at providing optimal network services pricing such that if a party alleviates the need for network investment costs, they can receive or share in the cost savings.

Although conceivably, feed-in tariffs and climate change funds may result in reduced need for network investment[7], equally they may lead to additional network investment, for example, by virtue of requiring more complex metering.

More importantly, the payments (for the electricity supplied by feed-in tariffs or climate change funds) are determined by government policy with reference to the value placed on the take up of small renewable generation and emission reduction rather than the alleviation of network investment costs.

B.4 Issue

If Chapter 6 remains unaltered in the face of widespread adoption of feed-in tariff schemes and, consequently, if DNSPs are required to include the expected payments under feed-in tariffs and climate change funds in their opex forecasts:

1. the amounts for feed-in tariffs included within opex forecasts must be estimated by DNSPs where they must make projections about a range of other parties' behaviour over which they have no influence such as retailers, suppliers of panels and any other relevant generation equipment, governments' promotional initiatives and customers' willingness to contribute from their own resources to carbon emission reductions;

2. while this part of the opex forecast would have to be assessed for efficiency, this would, in fact, be a needless assessment as it is a regulatory obligation for DNSPs to pay out for electricity generated using eligible systems regardless of whether it does in fact reflect efficient costs;

3. DNSPs would inefficiently be asked to bear the risk in that, despite their best efforts, the forecasts could be significantly inaccurate due to the behaviour of other parties; and

4. if a pass-through is included for these amounts, this would then also result in considerable administrative work for the network service provider and the AER engaging in frequent and unnecessary assessment processes for costs that are objective and outside the DNSP's control.

Consider the following illustration as to why these amounts should not be treated in the same way by the Rules as costs of providing network services such as labour. With labour costs, the DNSP does have and should have the incentive to keep labour costs to an efficient minimum by efficiently allocating work tasks, organising rosters efficiently and not acceding to excessive wage requests. In short, if the regulatory structure driving productivity improvements can reduce labour costs, Chapter 6 is working efficiently.

On the other hand, if a feed-in tariff is very successful, it may result in a large number of PV panels being installed and the costs to the DNSP actually rising above the initial opex

[7] For example, through contributing to meeting demand during peak periods. Noting, however, that such demand reduction cannot be relied upon owing to the risk of cloud cover during such periods, and the timing of such peaks occurring generally in the late afternoon when PV output is significantly reduced.

item forecast. In other words, a higher payments out on this line item may or may not actually be beneficial and certainly DNSPs should not be disadvantaged merely because a feed-in tariff scheme is successful.

B.5 Proposed solution

DNSPs fulfil a very similar function under feed-in tariffs and climate change funds as do DNSPs in relation to transmission use of system (TUOS) charges. Essentially DNSPs are billing agents collecting and passing through transmission charges from their customers, not for network services that they supply, but rather for TNSPs.

ETSA Utilities requests a rule change to provide for the payments to be made and received under feed-in tariffs or climate change funds to be treated under the rules in the same way that TUOS is treated and ETSA Utilities' proposed rule change does exactly that.

In other words, the proposed rule change would make provision for a DNSP to:

- estimate its payments each year on the basis of forecast feed-in tariff payments; and
- add or subtract the 'overs' and 'unders' which emerge from actual feed-in tariff payments in the previous year being different from the estimated feed-in tariff payments.

Further, the rule change would amend other parts of the Rules so that feed-in tariff payments can be treated in a like way to TUOS, such as the provisions under which the AER supervises DNSPs to ensure that the correct charges are levied and the provisions that enable disclosure of the component parts of charges.

ETSA Utilities considers that this rule change can operate well in conjunction with existing demand management schemes because those schemes seek to promote optimal network investments (or delays and reductions in investments) rather than the decisions to which the feed-in tariff schemes are directed, such as to the type of generation.

C. PROCESS TIMING

ETSA Utilities currently has its revenue proposal before the AER and ETSA Utilities therefore requests that:

- if possible, the AEMC indicate its preliminary view on the proposed rule change in time for the AER's draft determination on 27 November 2009; and
- that the rule change be complete in time for the AER's final determination for ETSA Utilities in April 2010.

It should be noted that the Queensland DNSPs, Energex and Ergon Energy, are subject to the same AER revenue determination timetable as ETSA Utilities.

In addition, as NSW DNSPs will commence paying rebates on 1 January 2010 and Victorian DNSPs on 1 November 2009, it would be expected that a pass-through or other arrangement will also be sought by the NSW and Victorian distributors in the coming months.

D. AEMC DECISION TESTS

D.1 How the proposed solution will contribute to the achievement of the National Electricity Objective

The National Electricity Objective (NEO) as stated in section 7 of the NEL is:

> *... to promote the efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity and the reliability, safety and security of the national electricity system.*

The proposed rule change would contribute to the NEO in at least the following ways:

- reducing investment risks for network service providers which, in the long run, can be expected to be reflected (at the margins) in reduced costs of capital and costs to consumers of electricity;
- reducing the administrative burden upon network service providers and the AER in the distribution determination process, and potentially pass-through applications, in seeking to forecast and determine the efficiency of amounts of expenditure over which DNSPs have no control;
- reduce the regulatory resources devoted to the redundant task of assessing feed-in tariff forecasts in regulatory proposals or processing pass-through applications where the result is a foregone conclusion given that the payments constitute regulatory obligations, instead leaving those resources available for regulatory functions of tangible value;
- reduce the burden on DNSPs and the AER of processing pass-through events if and when the terms of feed-in tariff schemes are amended (as is likely given that the community's response to the greenhouse issue is a rapidly moving response); and
- improving transparency for end customers where they obtain better information concerning the true costs of network service provision as opposed to that information

being bundled together with the feed-in tariff and climate change payments.

D.2 Revenue and pricing principles

A number of the features of this rule enliven section 88B of the National Electricity Law and therefore the revenue and pricing principles must be considered.

Of relevance in this regard is that the rule change would more accurately provide DNSPs with an ability to recover the efficient costs of complying with a regulatory obligation (section 7A(2)(b)).

Otherwise, the revenue and pricing principles have no work to do in relation to the rule change and this highlights the fact that feed-in scheme payments and climate change payments are not concerned with the provision of network services but rather DNSP's involvement is in the nature of a billing agent.

E. TRANSITION

Recognising the above issue, the Victorian legislature has proposed amendments[8] to Victoria's *Electricity Industry Act 2000.* These amendments provide Victorian distribution companies with a deemed pass-through mechanism to recover feed-in tariff payments under their 2006-2010 pricing determinations. This deeming provision prevails over any contrary terms in either the *Essential Services Act 2001* or the 2006-2010 pricing determination, highlighting both that the issue identified in this rule change proposal is real, and that the proposed solution is appropriate.

If the rule change request was successful, it would:

- likely obviate the need for further Victorian-specific legislation when the deeming provision included in the *Electricity Industry Act 2000* becomes obsolete; and
- may even obviate the need for that provision to be included in the final Victorian Act. Although this is dependent upon the timing of different instruments taking effect, it is a matter upon which the Victorian distribution businesses could be consulted either in this Rule change or in the course of the Victorian legislative consultation processes.

For their 2010-15 revenue reset, both Queensland DNSPs, Ergon Energy and Energex, requested that the AER allow for the recovery of the tariff payments associated with the Queensland government's Solar Bonus Scheme (which commenced operation 1 July 2008) under the pass-through mechanism in the Rules. This rule change proposal will more effectively facilitate the outcomes sought by Ergon Energy and Energex.

In its 2009-10 to 2013-14 revenue decision for ActewAGL, the AER forecast feed-in tariffs as a component of operating expenditure with the differences between forecast tariff payments and actual tariff payments to be recovered by ActewAGL as a nominated pass-through event. This pass-through mechanism was necessary due to the AER's presumed inability to provide for a specific revenue adjustment in a pricing proposal for feed-in tariff costs under the Rules.[9]

This rule change could allow either for that decision to stand or for ActewAGL's determination to be amended.

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[8] *Electricity Industry Amendment (Premium Solar Feed-in Tariff) Act 2009* (Vic).

[9] AER, Australian Capital Territory distribution determination 2009-10 to 2013-14, Final (28 April 2009) p. 69.

With the NSW government also adopting a climate change fund and considering the imposition of feed-in tariffs in that state, it is likely that NSW DNSPs will be confronting similar issues to those outlined above in relation to the recovery of feed-in tariff costs during the 2010-2015 regulatory period.

It is expected that the Rule change should take effect, in general terms, at the time of a given DNSP's next regulatory reset, subject to the following:

Jurisdiction	Rule change to take effect
South Australia	For the regulatory period commencing 2010 In respect of the next revenue reset, it takes effect for any preparatory steps, including the making of a proposal or the making of a decision for that period.
Queensland	For the regulatory period commencing 2010 In respect of the next revenue reset, it takes effect for any preparatory steps, including the making of a proposal or the making of a decision for that period.
Victoria	For the regulatory period commencing 2011 In respect of the next revenue reset, it takes effect for any preparatory steps, including the making of a proposal or the making of a decision for that period.
Tasmania	For the regulatory period commencing 2012 In respect of the next revenue reset, it takes effect for any preparatory steps, including the making of a proposal or the making of a decision for that period.
ACT	For the regulatory period commencing 2014 In respect of the next revenue reset, it takes effect for any preparatory steps, including the making of a proposal or the making of a decision for that period.
NSW	For the regulatory period commencing 2015 In respect of the next revenue reset, it takes effect for any preparatory steps, including the making of a proposal or the making of a decision for that period.

APPENDIX A.1 - PROPOSED AMENDMENTS

TEXT OF PROPOSED AMENDMENTS

New provision:

6.18.7A Feed-in Tariff / Climate Change Fund Recovery Amounts

(a) A *pricing proposal* must provide for tariffs designed to pass on to customers the charges to be incurred by the *Distribution Network Service Provider* for *Feed-in Tariff / Climate Change Fund Payments*.

(b) The amount forecast to be passed on to customers for a particular *regulatory year* must not exceed the estimated forecast amount of aggregate annual *Feed-in Tariff / Climate Change Fund Payments* for the relevant *regulatory year* adjusted for over or under recovery in the previous *regulatory year*.

(c) The extent of the over or under recovery is the difference between:

(1) the amount actually paid by the *Distribution Network Service Provider* by way of aggregate annual *Feed-in Tariff Scheme / Climate Change Fund Payments* in the previous *regulatory year*; and

(2) the amount passed on to customers by way of aggregate annual *Feed-in Tariff Scheme / Climate Change Fund Recovery Amounts* by the *Distribution Network Service Provider* in the previous *regulatory year*.

New Definitions:

Feed-in Tariff Scheme / Climate Change Fund Payments

A payment that a *Distribution Network Service Provider* is required to make:

(a) to a *Distribution Customer* for energy produced pursuant to a *Feed-in Tariff Scheme*; or

(b) pursuant to a *Climate Change Fund*.

Feed-in Tariff Scheme / Climate Change Fund Recovery Amount

An amount that a *Distribution Network Service Provider* is permitted to charge *Distribution Customers* in connection with a *Feed-in Tariff Scheme* or a *Climate Change Fund* by which the *Distribution Network Service Provider* can recover *Feed-in Tariff Scheme / Climate Change Fund Payments*.

Climate Change Fund

A governmental scheme under which a *Distribution Network Service Provider* is required to make payments to a fund where the payments made are directed towards a governmental scheme to promote climate change abatement measures.

As at the date of this Rule change only the NSW government has introduced a climate change fund but other governments may also introduce such schemes. Such additional funds, or any expanded or amended funds, are also *Climate Change Funds.*

Feed-in Tariff Scheme

A governmental scheme under which a *Distribution Network Service Provider* is required to make payments to *Distribution Customers* who generate electricity in distributed generation installations such as, but not limited to, photovoltaic panels.

At least two forms of feed-in scheme are included within this definition: gross feed-in schemes (by which payments are made for the total figure generated by the distributed generation installations) and net feed-in schemes (by which payments are made only for the surplus energy generated over and above the customer's own consumption in a particular time-frame).

As at the date of this Rule change only photovoltaic feed-in schemes have been introduced but possible wind tariff schemes have been mooted and other generation types are possible.

Such additional schemes, or any expanded or amended schemes, are also *Feed-in Tariff Schemes.*

Minor consequential amendments of other provisions:

6.12.1 Constituent decisions

A distribution determination is predicated on the following decisions by the *AER* (*constituent decisions*):

…

(19) a decision on how the *Distribution Network Service Provider* is to report to the *AER* on its recovery of *Transmission Use of System* charges for each *regulatory year* of the *regulatory control period* and on the adjustments to be made to subsequent *pricing proposals* to account for over or under recovery of those charges;

(19A) if a *Feed-in Tariff Scheme / Climate Change Fund* is applicable to the *Distribution Network Service*

Provider, a decision on how the *Distribution Network Service Provider* is to report to the *AER* on its recovery of *Feed-in Tariff Scheme / Climate Change Fund Recovery Amounts* for each *regulatory year* of the *regulatory control period* and on the adjustments to be made to subsequent *pricing proposals* to account for over or under recovery of those charges.

(19B) if a *Feed-in Tariff Scheme* or *Climate Change Fund* comes into force at a time after the lodgement of a *Distribution Network Service Provider's* revenue proposal or this Rule comes into force after such a lodgement and the payments for that scheme were not included in the AER's *revenue determination*, at any time prior to the next AER revenue determination the *Distribution Network Service Provider* may:

i. propose, for approval by the AER within 90 days (or failing approval, decision by the AER), the method by which such payments are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous *regulatory year;* or

ii. propose to pass on payments to customers in accordance with clauses 6.18.2(b)(6B)(i) and (ii) using the same methodology as for *Transmission Use of System* charges, in which case the AER must approve such payments;

once approved, that election amounts to a variation of (and is deemed to form part of) the revenue determination that is then in force.

6.18.2 Pricing proposals

…

(b) A *pricing proposal* must:

…

(6) set out how charges incurred by the *Distribution Network Service Provider* for *transmission use of system services* are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous *regulatory year.*

(6A) if a *Feed-in Scheme* or *Climate Change Fund* is applicable to the *Distribution Network Service Provider*, set out how charges incurred by the *Distribution Network Service Provider* for *Feed-in Tariff Scheme / Climate Change Fund Recovery Amounts* are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous *regulatory year.*

(6B) if a *Feed-in Tariff Scheme* or *Climate Change Fund* comes into force at a time after the lodgement of a *Distribution Network Service Provider's* revenue proposal or this Rule comes into force after such a lodgement and the payments for that scheme were not included in the AER's *revenue determination* at any time prior to the next AER revenue determination the *Distribution Network Service Provider* may:

i. pass the payments on to customers and make any adjustments to tariffs resulting from over or under recovery of those charges in the previous *regulatory year* using the same methodology as for *Transmission Use of System* charges;

ii. pass the payments on to customers as an increment above and in addition to the aggregate annual revenue requirement but otherwise from over or under recovery of those charges in the previous *regulatory year* using the same methodology as for *Transmission Use of System* charges; or

iii. propose for approval by the AER within 90 days (or failing approval, decision by the AER) the method by which such charges are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous *regulatory year;*

once approved, that election amounts to a variation of (and is deemed to form part of) the revenue determination that is then in force; and

…

6.18.6 Side constraints on tariffs for standard control services

…

(d) In deciding whether the permissible percentage has been exceeded in a particular *regulatory year*, the following are to be disregarded:

(1) the recovery of revenue to accommodate a variation to the distribution determination under rule 6.6 or 6.13;

(2) the recovery of revenue to accommodate pass through of charges for *transmission use of system services* and *Feed-in Tariff / Climate Change Fund Recovery Amounts* to customers.

…

6.20.1 Billing for distribution services

…

(d) *Distribution Network Service Providers* must:

(1) calculate *transmission service charges* ~~and~~, *distribution service charges* and, if a *Feed-in Tariff Scheme* or *Climate Change Fund* is applicable to the *Distribution Network Service Provider*, *Feed-in Tariff / Climate Change Fund Recovery Amounts* for all *connection points* in their *distribution network*;

(2) pay to *Transmission Network Service Providers* the *transmission service charges* incurred in respect of use of a *transmission network* at each *connection point* on the relevant *transmission network*; and

(3) in accordance with the terms of any relevant *Feed-in Tariff Scheme* or *Climate Change Fund*, pay *Feed-in Tariff / Climate Change Fund Payments*.

…

6.23 Separate disclosure of transmission and distribution charges

(a) A *Distribution Customer*:

(1) with a *load* greater than 10MW or 40GWh per annum; or

(2) with *metering* equipment capable of capturing relevant *transmission* and *distribution system* usage data,

may make a request (a ***TUOS/DUOS disclosure request***) to a *Distribution Network Service Provider* to provide the *Distribution Customer* with a statement (a ***TUOS/DUOS disclosure statement***) identifying the separate components of the *transmission use of system* charges, *distribution use of system* charges and any *Feed-in Tariff / Climate Change Recovery Amounts* comprised in the charges for electricity supplied to the *Distribution Customer's connection points*.

…