

**Indicative changes to National Electricity Rules proposed in Draft National Electricity Amendment (Access, pricing and incentive arrangements for distributed energy resources) Rule 2021**

Note: This document shows changes to the relevant parts of the National Electricity Rules (NER) proposed by the Draft National Electricity Amendment (Access, pricing and incentive arrangements for distributed energy resources) Rule 2021. It includes parts of chapters 5, 5A, 6, 6B, 7, 8, 10 and 11 of the NER. The proposed changes are shown in a modified version of the NER that incorporates, where relevant, changes made by the date of publication of the draft rule which take effect prior to 1 July 2021. This modified version of parts of the NER is provided to assist in responding to the draft rule and should not be used for any other purpose. The Australian Energy Market Commission does not guarantee the accuracy, reliability or completeness of this version of the NER.

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## 5. Network Connection Access, Planning and Expansion

### Part A Introduction

#### 5.1 Introduction to Chapter 5

##### 5.1.2 Overview of Part B and connection and access under the Rules

- (a) Rule 5.1A sets out the purpose, application and principles for Part B.
- (b) Rule 5.2 sets out the obligations of *Registered Participants* under Part B and other relevant Parts of this Chapter 5.
- (c) Rule 5.2A sets out obligations and principles relevant to *connection* and access to *transmission networks* and *large dedicated connection assets*. This includes the classification of certain services relating to assets relevant to *connection* as *prescribed transmission services*, *negotiated transmission services* and *non-regulated transmission services*. Rule 5.2A does not apply to the *declared transmission system* of an *adoptive jurisdiction*.
- (d) Rules 5.3, 5.3A and 5.3AA and Chapter 5A set out processes by which *Connection Applicants* can negotiate for connection and access to the *national grid* from a *Network Service Provider*. The process applicable will depend on the nature of the application. The table below sets out an overview of the relevant processes:

Connection Applicant	Process
A <i>Registered Participant</i> or a person intending to become a <i>Registered Participant</i> for a <i>generating plant</i> connecting to a <i>transmission network</i>	Rule 5.3 applies
A <i>Registered Participant</i> or a person intending to become a <i>Registered Participant</i> (or a person pursuant to clause 5.1A.1(c)) for a <i>load</i> connecting to a <i>transmission network</i>	Rule 5.3 applies
A <i>load</i> connecting to a <i>distribution network</i> where the <i>Connection Applicant</i> is a <i>Registered Participant</i> or a person intending to become a <i>Registered Participant</i> (and is not acting as the agent of a <i>retail customer</i> )	Rule 5.3 applies
A <i>distribution network</i> (including an <i>embedded network</i> ) connecting to another <i>distribution network</i> or to a	Rule 5.3 applies

Connection Applicant	Process
<i>transmission network</i> where the <i>Connection Applicant</i> is a <i>Registered Participant</i> , intending to become a <i>Registered Participant</i> or will obtain an exemption from registration	
A <i>Market Network Service Provider</i> or person intending to register as one seeking <i>connection</i> to a <i>distribution network</i> or a <i>transmission network</i>	Rule 5.3 applies
An <i>embedded generating unit</i> connecting to a <i>distribution network</i> where the <i>Connection Applicant</i> is a <i>Registered Participant</i> or a person intending to become a <i>Registered Participant</i>	Rules 5.3 and 5.3A apply (see clause 5.3.1A for the interaction between the two rules)
A <del>non-registered embedded generator</del> <i>non-registered embedded generator</i> who makes an election for rule 5.3A to apply instead of Chapter 5A	Rules 5.3 and 5.3A apply (see clause 5.3.1A for the interaction between the two rules)
A <i>Generator</i> wishing to alter a <i>connected generating plant</i> in the circumstances set out in clause 5.3.9	Clause 5.3.9 applies
A <i>Connection Applicant</i> for <i>prescribed transmission services</i> or <i>negotiated transmission services</i> that do not require the establishment or modification of a <i>connection</i> or alteration of a <i>connected generating plant</i> in the circumstances set out in clause 5.3.9	Rule 5.3 applies as modified by clause 5.2A.3(c)
An <i>Embedded Generator</i> or <i>Market Network Service Provider</i> applying for <i>distribution network user access</i>	Rule 5.3 or 5.3A (as applicable) and rule 5.3AA apply
A <i>load</i> or <i>generating plant</i> connecting to a <i>declared shared network</i>	Rule 5.3 as modified by clause 5.1A.1(d) to (g) and rule 5.3B apply
A <i>load</i> connecting to a <i>distribution network</i> where the <i>Connection Applicant</i> is not a <i>Registered Participant</i> and is not intending to	Chapter 5A applies

Connection Applicant	Process
become a <i>Registered Participant</i> (unless it is acting as the agent of a <i>retail customer</i> )  A <del>non-registered embedded generator</del> <i>non-registered embedded generator</i> who does not make an election for Rule 5.3A to apply instead of Chapter 5A	
A <i>retail customer</i> (or a <i>retailer</i> <del>or</del> <i>Market Small Generation Aggregator</i> on behalf of that customer) <del>connecting a</del> <i>micro embedded generator</i> <del>micro embedded generator</del> to a <i>distribution network</i>	Chapter 5A applies

- (e) In addition to the rules referred to in paragraph (d), in relation to *connection* and access to a *distribution network*:
  - (1) a *Distribution Network Service Provider* must comply with its *negotiating framework* and *Negotiated Distribution Service Criteria* when *negotiating the terms and conditions of access to negotiated distribution services*;
  - (2) disputes relating to the *terms and conditions of access to a direct control service* or to a *negotiated distribution service, access charges* or matters referred to in clause 5.3AA(f) (*negotiated use of system charges*) or 5.3AA(h) (*avoided charges for the locational component of prescribed TUOS services*) may be referred to the *AER* in accordance with Part L of Chapter 6;
  - (3) Part G of Chapter 5A provides for dispute resolution by the *AER* for certain disputes under Chapter 5A; and
  - (4) other disputes relating to *connection* and access may be subject to dispute resolution under rule 8.2.
- (f) In addition to the rules referred to in paragraph (d), in relation to *connection* and access to a *transmission network*:
  - (1) schedule 5.11 sets out the negotiating principles which apply to negotiations between a *Transmission Network Service Provider* and a *Connection Applicant* for *negotiated transmission services*;
  - (2) rule 5.4 provides a framework for *Connection Applicants* and *Transmission Network Service Providers* to appoint an *Independent Engineer* to provide advice on certain technical matters; and
  - (3) rule 5.5 provides for commercial arbitration of disputes between a *Transmission Network Service Provider* and a *Connection Applicant* as

to *terms and conditions of access* for the provision of *prescribed transmission services* or for the provision of *negotiated transmission services*.

- (g) Part B also provides for a *Dedicated Connection Asset Service Provider* to have an *access policy* for a *large dedicated connection asset* and for *commercial arbitration* under rule 5.5 to apply to a *large DCA services access dispute*.

**Part B Network Connection and Access**

**5.2A Transmission network connection and access**

**5.2A.4 Transmission services related to connection**

**Definitions**

- (a0) In this clause 5.2A.4:

**contestable IUSA components** has the meaning given to it in clause 5.2A.5(c).

**non-contestable IUSA components** has the meaning to it in clause 5.2A.5(d).

- (a) If a service related to assets relevant for *connection* in the following table is classified as:
  - (1) *contestable* – then the *Primary Transmission Network Service Provider* may (but is not obliged to) provide that service as a *non-regulated transmission service* on request from a *Connection Applicant*.
  - (2) *non-contestable* – then the *Primary Transmission Network Service Provider* has the exclusive right to provide that service and must negotiate under rule 5.3 to do so as a *negotiated transmission service* on request from a *Connection Applicant*.

<b>Asset</b>	<b>Service</b>	<b>Example of service</b>	<b>Classification</b>
<i>transmission network including identified user shared asset</i>	Functional specification for <i>IUSA</i>	Specification of: <ul style="list-style-type: none"> <li>• preferred equipment suppliers;</li> <li>• preferred equipment;</li> <li>• land/access requirements;</li> <li>• design specifications;</li> <li>• single line diagrams;</li> <li>• remote monitoring and communication requirements;</li> </ul>	non-contestable

Asset	Service	Example of service	Classification
		<ul style="list-style-type: none"> <li>• protection, control and metering requirements;</li> <li>• minimum operating conditions;</li> <li>• supervisory control and data <del>acquisition</del> acquisition system interface requirements;</li> <li>• equipment ratings;</li> <li>• equipment protection ratings; and</li> <li>• spare parts itineraries</li> </ul>	
<i>identified user shared asset</i>	Detailed design for IUSA	Provision of: <ul style="list-style-type: none"> <li>• site plan;</li> <li>• asset layout and configuration;</li> <li>• the specification for vendor equipment;</li> <li>• civil, structural, mechanical and electrical detailed design;</li> <li>• issued for construction drawings;</li> <li>• as built drawings;</li> <li>• tender specifications;</li> <li>• cable schedules;</li> <li>• protection settings;</li> <li>• applicable technical studies;</li> <li>• earthing design;</li> <li>• the design of lightning protection; and</li> <li>• the design of insulation co-ordination,</li> </ul> consistent with the functional specification.	<i>contestable</i>

<b>Asset</b>	<b>Service</b>	<b>Example of service</b>	<b>Classification</b>
<i>transmission network</i>	Cut-in works	Interface works which cut into the existing shared <i>transmission network</i> , these may include tower realignment, protection control and communications requirements	non-contestable
<i>contestable IUSA components</i>	Construction / ownership	Construction and/or ownership of a substation	<i>contestable</i>
<i>non-contestable IUSA components</i>	Construction / ownership	Installation and ownership of supervisory control and data acquisition systems and cabling forming part of the <i>Primary Transmission Network Service Provider's control system</i>	non-contestable
<i>identified user shared asset owned by the Primary Transmission Network Service Provider</i>	Control, operation and maintenance	<i>Primary Transmission Network Service Provider</i> provides operation and maintenance services	non-contestable
<i>third party IUSA</i>	Control, operation and maintenance under a <i>network operating agreement</i>	See clause 5.2A.7	non-contestable
<i>dedicated connection assets</i>	All development aspects	Design, construction, maintenance and ownership of a power line connecting a <i>facility</i>	<i>contestable</i>

- (b) If the capital cost of all the components that make up an *identified user shared asset* is reasonably expected by the *Primary Transmission Network Service Provider* to be \$10 million or less, the *Primary Transmission Network Service Provider* must undertake the detailed design, construction and ownership of the *identified user shared asset* as a *negotiated transmission service*.

- (c) If the capital cost of all the components that make up an *identified user shared asset* is reasonably expected by the *Primary Transmission Network Service Provider* to exceed \$10 million, the detailed design, construction and ownership of each component of the *identified user shared asset* is a *non-regulated transmission service* to the extent that it satisfies the following criteria:
- (1) the component being constructed is new or a complete replacement of existing assets (and does not involve the reconfiguration of existing assets); and
  - (2) the detailed design and construction of the relevant component of the *identified user shared asset* is separable in that the new component will be distinct and definable from the existing *transmission network*,  
**("contestable IUSA components")**.
- (d) To the extent that any components of an *identified user shared asset* do not satisfy the criteria set out in paragraph (c) ("**non-contestable IUSA components**"), the *Primary Transmission Network Service Provider* must negotiate under rule 5.3 to undertake the detailed design, construction and ownership of the *non-contestable IUSA components* as a *negotiated transmission service*.

**Note**

Parties may seek the advice of an *Independent Engineer* under rule 5.4 if the parties cannot agree on whether a component of an *identified user shared asset* based on the criteria under subparagraph (c)(1) and (2) is a *contestable IUSA component* or a *non-contestable IUSA component*.

**5.3 Establishing or Modifying Connection****5.3.1A Application of rule to connection of embedded generating units**

- (a) ~~[Deleted] For the purposes of this clause 5.3.1A; non-registered embedded generator has the same meaning as in clause 5A.A.1.~~
- (b) If a *Connection Applicant* wishes to *connect* an *embedded generating unit*, then:
- (1) unless otherwise provided, rule 5.3A applies to the proposed connection and clauses 5.3.2, 5.3.3, 5.3.4 and 5.3.5 do not apply to the proposed *connection*; and
  - (2) for the avoidance of doubt, the application of the balance of Chapter 5, Part B to the *Connection Applicant* is otherwise unaffected by this clause 5.3.1A.
- (c) A reference to a *Connection Applicant* in paragraph (b) is to a:
- (1) person who intends to be an *Embedded Generator*;
  - (2) person who is required to apply to *AEMO* for an exemption from the requirement to register as a *Generator* in respect of an *embedded generating unit*; or

- (3) ~~non-registered embedded generator~~ non-registered embedded generator who has made an election under clause 5A.A.2(c),

and who makes a *connection* enquiry under clause 5.3A.5 or an *application to connect* under clause 5.3A.9 in relation to any *generating systems*, or any *network elements* used in the provision of a *network service*, as the case may be.

## 5.3A Establishing or modifying connection - embedded generation

### 5.3A.1 Application of rule 5.3A

- (a) [Deleted]
- (b) Where a *Connection Applicant* wishes to connect an *embedded generating unit*, this rule 5.3A applies.
- (c) For the purposes of this rule 5.3A and Schedules 5.4A and 5.4B:
- (1) a reference to a *Connection Applicant* is to a:
    - (i) person who intends to be an *Embedded Generator*;
    - (ii) person who is required to apply to *AEMO* for an exemption from the requirement to register as a *Generator* in respect of an *embedded generating unit*; or
    - (iii) ~~non-registered embedded generator~~ non-registered embedded generator who has made an election under clause 5A.A.2(c),  
and who makes a *connection* enquiry under clause 5.3A.5 or an *application to connect* under clause 5.3A.9 in relation to any *generating systems*, or any *network elements* used in the provision of a *network service*, as the case may be.
  - (2) the *Distribution Network Service Provider* is the *Distribution Network Service Provider* required under clause 5.3A.5 to process and respond to a *connection* enquiry or required under clause 5.3A.10 to prepare an offer to *connect* for the establishment or modification of a *connection* to the *distribution network* owned, controlled or operated by that *Distribution Network Service Provider* or for the provision of a *network service*.

## Schedule 5.8 Distribution Annual Planning Report

For the purposes of clause 5.13.2(c), the following information must be included in a *Distribution Annual Planning Report*:

- (a) information regarding the *Distribution Network Service Provider* and its *network*, including:
- (1) a description of its *network*;
  - (2) a description of its operating environment;
  - (3) the number and types of its distribution assets;

- (4) methodologies used in preparing the *Distribution Annual Planning Report*, including methodologies used to identify system limitations and any assumptions applied; and
  - (5) analysis and explanation of any aspects of forecasts and information provided in the *Distribution Annual Planning Report* that have changed significantly from previous forecasts and information provided in the preceding year;
- (b) forecasts for the forward planning period, including at least:
- (1) a description of the forecasting methodology used, sources of input information, and the assumptions applied;
  - (2) forecasts of load and generation capacity of known embedded generating units~~load forecasts~~:
    - (i) at the transmission-distribution connection points;
    - (ii) for sub-transmission lines; and
    - (iii) for zone substations,  
including, where applicable, for each item specified above:
    - (iv) total capacity;
    - (v) firm delivery capacity for summer periods and winter periods;
    - (vi) *peak load* (summer or winter and an estimate of the number of hours per year that 95% of *peak load* is expected to be reached);
    - (vii) *power factor* at time of *peak load*; and
    - (viii) load transfer capacities; ~~and~~
    - ~~(ix) generation capacity of known embedded generating units;~~
  - (3) forecasts of future transmission-distribution connection points (and any associated *connection assets*), sub-transmission lines and zone substations, including for each future transmission-distribution connection point and zone substation:
    - (i) location;
    - (ii) future *loading level*; and
    - (iii) proposed commissioning time (estimate of month and year);
  - (4) forecasts of the *Distribution Network Service Provider's* performance against any reliability-relevant performance targets in a *service target performance incentive scheme*; and
  - (5) a description of any factors that may have a material impact on its *network*, including factors affecting:
    - (i) fault levels;
    - (ii) *voltage* levels;
    - (iii) other *power system security* requirements;
    - (iv) the quality of *supply* to other *Network Users* (where relevant); and

- (v) ageing and potentially unreliable assets;
- (b1) for all *network* asset retirements, and for all *network* asset de-ratings that would result in a system limitation, that are planned over the forward planning period, the following information in sufficient detail relative to the size or significance of the asset:
- (1) a description of the *network* asset, including location;
  - (2) the reasons, including methodologies and assumptions used by the *Distribution Network Service Provider*, for deciding that it is necessary or prudent for the *network* asset to be retired or de-rated, taking into account factors such as the condition of the *network* asset;
  - (3) the date from which the *Distribution Network Service Provider* proposes that the *network* asset will be retired or de-rated; and
  - (4) if the date to retire or de-rate the *network* asset has changed since the previous *Distribution Annual Planning Report*, an explanation of why this has occurred;
- (b2) for the purposes of subparagraph (b1), where two or more *network* assets are:
- (1) of the same type;
  - (2) to be retired or de-rated across more than one location;
  - (3) to be retired or de-rated in the same calendar year; and
  - (4) each expected to have a replacement cost less than \$200,000 (as varied by a cost threshold determination),
- those assets can be reported together by setting out in the *Distribution Annual Planning Report*:
- (5) a description of the *network* assets, including a summarised description of their locations;
  - (6) the reasons, including methodologies and assumptions used by the *Distribution Network Service Provider*, for deciding that it is necessary or prudent for the *network* assets to be retired or de-rated, taking into account factors such as the condition of the *network* assets;
  - (7) the date from which the *Distribution Network Service Provider* proposes that the *network* assets will be retired or de-rated; and
  - (8) if the calendar year to retire or de-rate the *network* assets has changed since the previous *Distribution Annual Planning Report*, an explanation of why this has occurred;
- (c) information on system limitations for sub-transmission lines and zone substations, including at least:
- (1) estimates of the location and timing (month(s) and year) of the system limitation;
  - (2) analysis of any potential for load transfer capacity between *supply* points that may decrease the impact of the system limitation or defer the requirement for investment;

- (3) impact of the system limitation, if any, on the capacity at transmission-distribution connection points;
  - (4) a brief discussion of the types of potential solutions that may address the system limitation in the forward planning period, if a solution is required; and
  - (5) where an estimated ~~reduction~~ change in forecast *load* or forecast generation from embedded generating units would defer a forecast system limitation for a period of at least 12 months, include:
    - (i) an estimate of the month and year in which a system limitation is forecast to occur as required under subparagraph (1);
    - (ii) the relevant *connection points* at which the estimated ~~reduction~~ change in forecast *load* or forecast generation may occur; and
    - (iii) the estimated ~~reduction~~ change in forecast *load* or forecast generation in MW or improvements in *power factor* needed to defer the forecast system limitation;
- (d) for any primary distribution feeders for which a *Distribution Network Service Provider* has prepared forecasts of *maximum demands* under clause 5.13.1(d)(1)(iii) and which are currently experiencing an overload, or are forecast to experience an overload in the next two years the *Distribution Network Service Provider* must set out:
- (1) the location of the primary distribution feeder;
  - (2) the extent to which load exceeds, or is forecast to exceed, 100% (or lower utilisation factor, as appropriate) of the normal cyclic rating under normal conditions (in summer periods or winter periods);
  - (3) the types of potential solutions that may address the overload or forecast overload; and
  - (4) where an estimated reduction in forecast *load* would defer a forecast overload for a period of 12 months, include:
    - (i) estimate of the month and year in which the overload is forecast to occur;
    - (ii) a summary of the location of relevant *connection points* at which the estimated reduction in forecast *load* would defer the overload;
    - (iii) the estimated reduction in forecast *load* in MW needed to defer the forecast system limitation;
- (e) a high-level summary of each RIT-D project for which the *regulatory investment test for distribution* has been completed in the preceding year or is in progress, including:
- (1) if the *regulatory investment test for distribution* is in progress, the current stage in the process;
  - (2) a brief description of the *identified need*;
  - (3) a list of the credible options assessed or being assessed (to the extent reasonably practicable);

- (4) if the *regulatory investment test for distribution* has been completed a brief description of the conclusion, including:
  - (i) the net economic benefit of each credible option;
  - (ii) the estimated capital cost of the preferred option; and
  - (iii) the estimated construction timetable and commissioning date (where relevant) of the preferred option; and
- (5) any impacts on *Network Users*, including any potential material impacts on *connection charges* and *distribution use of system charges* that have been estimated;
- (f) for each identified system limitation which a *Distribution Network Service Provider* has determined will require a *regulatory investment test for distribution*, provide an estimate of the month and year when the test is expected to commence;
- (g) a summary of all committed investments to be carried out within the forward planning period with an estimated capital cost of \$2 million or more (as varied by a cost threshold determination) that are to address an urgent and unforeseen *network* issue as described in clause 5.17.3(a)(1), including:
  - (1) a brief description of the investment, including its purpose, its location, the estimated capital cost of the investment and an estimate of the date (month and year) the investment is expected to become operational;
  - (2) a brief description of the alternative options considered by the *Distribution Network Service Provider* in deciding on the preferred investment, including an explanation of the ranking of these options to the committed project. Alternative options could include, but are not limited to, *generation* options, demand side options, and options involving other *distribution* or *transmission networks*;
- (h) the results of any joint planning undertaken with a *Transmission Network Service Provider* in the preceding year, including:
  - (1) a summary of the process and methodology used by the *Distribution Network Service Provider* and relevant *Transmission Network Service Providers* to undertake joint planning;
  - (2) a brief description of any investments that have been planned through this process, including the estimated capital costs of the investment and an estimate of the timing (month and year) of the investment; and
  - (3) where additional information on the investments may be obtained;
- (i) the results of any joint planning undertaken with other *Distribution Network Service Providers* in the preceding year, including:
  - (1) a summary of the process and methodology used by the *Distribution Network Service Providers* to undertake joint planning;
  - (2) a brief description of any investments that have been planned through this process, including the estimated capital cost of the investment and an estimate of the timing (month and year) of the investment; and
  - (3) where additional information on the investments may be obtained;

- (j) information on the performance of the *Distribution Network Service Provider's network*, including:
- (1) a summary description of reliability measures and standards in *applicable regulatory instruments*;
  - (2) a summary description of the quality of *supply* standards that apply, including the relevant codes, standards and guidelines;
  - (3) a summary description of the performance of the *distribution network* against the measures and standards described under subparagraphs (1) and (2) for the preceding year;
  - (4) where the measures and standards described under subparagraphs (1) and (2) were not met in the preceding year, information on the corrective action taken or planned;
  - (5) a summary description of the *Distribution Network Service Provider's* processes to ensure compliance with the measures and standards described under subparagraphs (1) and (2); and
  - (6) an outline of the information contained in the *Distribution Network Service Provider's* most recent submission to the *AER* under the *service target performance incentive scheme*;
- (k) information on the *Distribution Network Service Provider's* asset management approach, including:
- (1) a summary of any asset management strategy employed by the *Distribution Network Service Provider*;
  - (1A) an explanation of how the *Distribution Network Service Provider* takes into account the cost of *distribution losses* when developing and implementing its asset management and investment strategy;
  - (2) a summary of any issues that may impact on the system limitations identified in the *Distribution Annual Planning Report* that has been identified through carrying out asset management; and
  - (3) information about where further information on the asset management strategy and methodology adopted by the *Distribution Network Service Provider* may be obtained;
- (l) information on the *Distribution Network Service Provider's* demand management activities and activities relating to embedded generating units, including:
- (1) a qualitative summary of:
    - (i) *non-network options* that have been considered in the past year, including *generation from embedded generating units*;
    - (ii) key issues arising from *applications to connect embedded generating units* received in the past year;
    - (iii) actions taken to promote non-network proposals in the preceding year, including *generation from embedded generating units*; and

- (iv) the *Distribution Network Service Provider's* plans for demand management and *generation* from *embedded generating units* over the forward planning period;
- (2) a quantitative summary of:
  - (i) *connection* enquiries received under clause 5.3A.5;
  - (ii) *applications to connect* received under clause 5.3A.9; and
  - (iii) the average time taken to complete *applications to connect*;
- (3) in relation to all new *connections to the Distribution Network Service Provider's network during the preceding year of retail customers who are micro embedded generators or non-registered embedded generators*, the average, by:
  - (i) type of retail customer (micro embedded generator or non-registered embedded generator); and
  - (ii) type of feeder,  
of each of the following:
  - (iii) the maximum capacity of the connection to import and export electricity sought in the enquiry under clause 5A.D.2; and
  - (iv) the maximum capacity of the connection to import and export electricity agreed in the connection contract; and
- (4) a quantitative summary for the preceding year of:
  - (i) enquiries under clause 5A.D.2 in relation to the connection of micro embedded generators or non-registered embedded generators;
  - (ii) applications for new connections or connection alterations under clause 5A.D.3 in relation to micro embedded generators or non-registered embedded generators;
  - (iii) the number of retail customers provided zero export limits or provided with export capacity lower than requested; and
  - (iv) the estimated volume of electricity that could not be exported due to system limitations;
- (m) information on the *Distribution Network Service Provider's* investments in information technology and communication systems which occurred in the preceding year, and planned investments in information technology and communication systems related to management of *network* assets in the forward planning period; and
- (n) a regional development plan consisting of a map of the *Distribution Network Service Provider's network* as a whole, or maps by regions, in accordance with the *Distribution Network Service Provider's* planning methodology or as required under any *regulatory obligation or requirement*, identifying:
  - (1) sub-transmission lines, zone substations and transmission-distribution connection points; and

- (2) any system limitations that have been forecast to occur in the forward planning period, including, where they have been identified, overloaded primary distribution feeders.

## 5A. Electricity connection for retail customers

### Part A Preliminary

#### 5A.A.1 Definitions

In this Chapter:

##### **basic connection service**

means a *connection service* related to a *connection* (or a proposed *connection*) between a *distribution system* and a *retail customer's* premises (excluding a *non-registered embedded generator's* ~~*non-registered embedded generator's*~~ premises) in the following circumstances:

- (a) either:
  - (1) the *retail customer* is typical of a significant class of *retail customers* who have sought, or are likely to seek, the service; or
  - (2) the *retail customer* is, or proposes to become, a *micro embedded generator*; and
- (b) the provision of the service involves minimal or no *augmentation* of the *distribution network*; and
- (c) a *model standing offer* has been approved by the *AER* for providing that service as a *basic connection service*.

##### **basic micro EG connection service**

means a *basic connection service* for a *retail customer* who is a *micro embedded generator*.

##### **confidential information**

means, in relation to a *Registered Participant*, *AEMO* or a *connection applicant*, information which is or has been provided to that *Registered Participant*, *AEMO* or *connection applicant* under or in connection with the *Rules* and which is stated under the *Rules*, or by *AEMO*, the *AER* or the *AEMC*, to be *confidential information* or is otherwise confidential or commercially sensitive. It also includes any information which is derived from such information.

##### **connection**

means a physical link between a *distribution system* and a *retail customer's* premises to allow the flow of electricity.

##### **connection alteration**

means an alteration to an existing *connection* including an addition, upgrade, *extension*, expansion, *augmentation* or any other kind of alteration.

##### **connection applicant**

means an applicant for a *connection service* of 1 of the following categories:

- (a) *retail customer*;
- (b) *retailer* or other person acting on behalf of a *retail customer*;

(c) *real estate developer*.

**connection application**

means an application under clause 5A.D.3.

**connection charge**

means a charge imposed by a *Distribution Network Service Provider* for a *connection service*.

**connection charge guidelines**

– see clause 5A.E.3.

**connection charge principles**

– see clause 5A.E.1.

**connection contract**

means a contract formed by the making and acceptance of a *connection offer*.

**connection offer**

means an offer by a *Distribution Network Service Provider* to enter into a *connection contract* with:

- (a) a *retail customer*; or
- (b) a *real estate developer*.

**connection policy**

means a document, approved as a *connection policy* by the *AER* under Chapter 6, Part E, setting out the circumstances in which *connection charges* are payable and the basis for determining the amount of such charges.

**connection service**

means either or both of the following:

- (a) a service relating to a *new connection* for premises;
- (b) a service relating to a *connection alteration* for premises,

but, to avoid doubt, does not include a service of providing, installing or maintaining a *metering installation* for premises.

**contestable**

– a service is *contestable* if the laws of the *participating jurisdiction* in which the service is to be provided permit the service to be provided by more than one supplier as a *contestable service* or on a competitive basis.

**customer connection contract**

– see section 67 of the *NERL*.

**~~embedded generator~~**

~~means a person that owns, controls or operates an *embedded generating unit*.~~

**enquiry**

means a preliminary *enquiry* under clause 5A.D.2.

**micro EG connection**

means a *connection* between an *embedded generating unit* and a *distribution network* of the kind contemplated by *Australian Standard AS 4777* (Grid connection of energy systems via inverters).

**~~micro embedded generator~~**

~~means a *retail customer* who operates, or proposes to operate, an *embedded generating unit* for which a *micro EG connection* is appropriate.~~

**model standing offer**

means a document approved by the *AER* as a *model standing offer* to provide *basic connection services* (see clause 5A.B.3) or as a *model standing offer* to provide *standard connection services* (see clause 5A.B.5).

**MSGA customer**

means a person who owns, operates or controls, or proposes to own, operate or control, a *small generating unit* and who has an agreement with a *Market Small Generation Aggregator* relating to the *small generating unit* under which the *Market Small Generation Aggregator* is financially responsible for the market connection point at which the *small generating unit* is connected to the national grid.

**negotiated connection contract**

– see clause 5A.C.1.

**new connection**

means a *connection* established or to be established, in accordance with this Chapter and applicable *energy laws*, where there is no existing *connection*.

**~~non-registered embedded generator~~**

~~means an *embedded generator* that is neither a *micro embedded generator* nor a *Registered Participant*.~~

**premises connection assets**

means the components of a *distribution system* used to provide *connection services*.

**real estate developer**

means a person who carries out a *real estate development*.

**real estate development**

means the commercial development of land including its development in 1 or more of the following ways:

- (a) subdivision;
- (b) the construction of commercial or industrial premises (or both);
- (c) the construction of multiple new residential premises.

**~~retail customer~~**

~~includes a *non-registered embedded generator* and a *micro embedded generator*.~~

**standard connection service**

means a *connection service* (other than a *basic connection service*) for a particular class (or sub-class) of *connection applicant* and for which a *model standing offer* has been approved by the *AER*.

**supply service**

means a service (other than a *connection service*) relating to the *supply* of electricity (whether for import or export).

**5A.A.3 Market Small Generation Aggregator deemed to be agent of itsa retail MSGA customers**

A *Market Small Generation Aggregator* is deemed to be the agent of its *MSGA customers* for the purposes of this Chapter. ~~a *retail customer*, where there is an agreement between the *Market Small Generation Aggregator* and the *retail customer* relating to the *retail customer's small generating unit* under which the *Market Small Generation Aggregator* is financially responsible for the market connection point at which the *small generating unit* is connected to the national grid.~~

**Part B Standardised offers to provide basic and standard connection services****Division 1 Basic connection services****5A.B.1 Obligation to have model standing offer to provide basic connection services**

- (a) Subject to paragraph (b), a *Distribution Network Service Provider* must have a *model standing offer* to provide *basic connection services* to *retail customers*.
- (b) *Basic connection services* are of 2 classes:
  - (1) *basic connection services* for *retail customers* who are not *embedded generating unit operators*~~*embedded generators*~~; and
  - (2) *basic connection services* for *retail customers* who are *micro embedded generators*.

**Note**

*Basic connection services* are not available to *non-registered embedded generator*

- (c) A *model standing offer* may relate to each class of *basic connection services* (or a subclass for which there is significant demand) within the area served by the relevant *distribution network*.

**5A.B.3 Approval of terms and conditions of model standing offer to provide basic connection services**

- (a) The *AER* may approve a proposed *model standing offer* to provide *basic connection services* of a particular class (or subclass) on specified terms and conditions if satisfied that:

- (1) the services are likely to be sought by:
    - (i) a significant number of *retail customers* in the area served by the *distribution network* (excluding *embedded generating unit operators*~~*embedded generators*~~); or
    - (ii) *micro embedded generators*; and
  - (2) the *connection charges* are consistent with the *Distribution Network Service Provider's* distribution determination including the *connection policy*; and
  - (3) the terms and conditions are fair and reasonable; and
  - (4) the terms and conditions comply with applicable requirements of the *energy laws*.
- (b) In deciding whether to approve a proposed *model standing offer* to provide *basic connection services* on specified terms and conditions, the *AER* must have regard to:
- (1) the *national electricity objective*; and
  - (2) the basis on which the *Distribution Network Service Provider* has provided the relevant services in the past; and
  - (3) the geographical characteristics of the area served by the relevant *distribution network*.
- (c) If the *AER* does not approve a proposed *model standing offer* to provide *basic connection services* of a particular class on specified terms and conditions:
- (1) the *AER* must give the *Distribution Network Service Provider* written reasons for its decision; and
  - (2) the *Distribution Network Service Provider* must re-submit the proposed *model standing offer* with appropriate amendments as soon as reasonably practicable.
- (d) The *AER* must deal expeditiously with a proposed *model standing offer* to provide *basic connection services*.

## **Division 2            Standard connection services**

### **Part D    Application for connection service**

#### **Division 1            Information**

##### **5A.D.1    Publication of information**

- (a) A *Distribution Network Service Provider* must publish on its website the following:
  - (1) an application form for a *new connection* or a *connection alteration*; and

- (2) a description of how an application for a *new connection* or a *connection alteration* is to be made (including a statement of the information required for the application); and
  - (3) a description of the *Distribution Network Service Provider's basic connection services* and *standard connection services* and the classes (or subclasses) of *retail customer* to which they apply. If the *Distribution Network Service Provider* does not provide *standard connection services* for all or some ~~*non-registered embedded generators*~~ *non-registered embedded generators*, a clear statement to this effect must also be included in the description; and
  - (4) an explanation of the *connection applicant's* right to negotiate with the *Distribution Network Service Provider* for a negotiated *connection contract* and a description of the negotiation process; and
  - (5) the requirements for an expedited *connection*; and
  - (6) the basis for calculation of *connection charges*; and
  - (7) information set out in clauses 5.3A.3(b)(1)(vii) and 5.3A.3(b)(2)-(7) as such information relates to the *connection* of *embedded generating units* by a *non-registered embedded generator*.
- (b) To the extent a *Distribution Network Service Provider* has provided the information required under paragraph (a)(7) by including that information in its information pack *published* under clause 5.3A.3(a)(3), it will be taken to have complied with paragraph (a)(7).

#### 5A.D.1A Register of completed embedded generation projects

- (a) For the purposes of this clause 5A.D.1A:
- completed non-registered embedded generation projects** means all *embedded generating units*, operated or controlled by a ~~*non-registered embedded generator*~~ *non-registered embedded generator* that are *connected* to the *Distribution Network Service Provider's network*.
- DAPR date** has the same meaning as in clause 5.13.2.
- (b) In relation to completed non-registered embedded generation projects, a *Distribution Network Service Provider* must establish and *publish*, on its website, a register of the *plant*, including but not limited to:
- (1) technology of *generating unit* (e.g. *synchronous generating unit*, induction generator, photovoltaic array, etc) and its make and model;
  - (2) maximum power *generation* capacity of all *embedded generating units* comprised in the relevant *generating system*;
  - (3) contribution to fault levels;
  - (4) the size and rating of the relevant *transformer*;
  - (5) a single line diagram of the *connection* arrangement;
  - (6) *protection systems* and communication systems;

- (7) *voltage control, power factor control and/or reactive power capability* (where relevant); and
- (8) details specific to the location of a *facility connected to the network* that are relevant to any of the details in subparagraphs (1)-(7).
- (c) The *Distribution Network Service Provider* must not *publish confidential information* as part of, or in connection with, the register, unless disclosure of the information is authorised:
  - (1) by the party to whom the duty of confidentiality is owed; or
  - (2) under:
    - (i) the *NEL* or the *Rules*; or
    - (ii) any other law.
- (d) The *Distribution Network Service Provider* must:
  - (1) by the DAPR date each year, include in the register the details contained in paragraph (b) for all completed non-registered embedded generation projects since the date the register referred to in paragraph (b) is established; and
  - (2) in the fifth year after the establishment of the register, and in each year thereafter, update the register by the DAPR date with details of all completed non-registered embedded generation projects in the 5 year period preceding the DAPR date.
- (e) To the extent a *Distribution Network Service Provider* includes the information required under paragraphs (b) and (d) in its register established under rule 5.18B, it will be taken to have complied with paragraphs (b) and (d).

## Division 2 Preliminary enquiry

### Part E Connection charges

#### 5A.E.4 Payment of connection charges

- (a) *Connection charges* payable in respect of a *connection service* must be paid to the *Distribution Network Service Provider* by the *retail customer's retailer* or *Market Small Generation Aggregator* unless:
  - (1) the *retailer* did not apply for the *connection service* and the *Distribution Network Service Provider* has notified the *retail customer* that the *retail customer* must pay the *connection charge* directly; or
  - (2) the *retail customer* asks to pay the *connection charge* directly and the *Distribution Network Service Provider* agrees; or
  - (3) the *Distribution Network Service Provider* and the *retailer* or *Market Small Generation Aggregator* agree that the *Distribution Network Service Provider* is to recover the *connection charge* from the *retail customer*.

- (b) If the *retail customer* pays, or is required to pay, a *connection charge* directly to a *Distribution Network Service Provider* under paragraph (a), the *Distribution Network Service Provider* must not recover that charge from the *retail customer's retailer* or *Market Small Generation Aggregator*.
- (c) The *Distribution Network Service Provider* must separately identify each *connection charge* on the statement or invoice to the *retailer* or *Market Small Generation Aggregator*.

**Note**

Rule 25 of the *NERR* requires the listing of *connection charges* that are passed through by a *retailer* to a retail customer in the customer's bill.

**Part F Formation and integration of connection contracts****Division 1 Offer and acceptance – basic and standard connection services****5A.F.7 ~~Retailer required for e~~nergisation where new connection**

A *Distribution Network Service Provider* is not required to *energise* a *new connection* unless a request to *energise* the *new connection* is submitted by a *retailer* or *Market Small Generation Aggregator*, or the *Distribution Network Service Provider* is otherwise satisfied that there is a relevant contract with a *retailer* or *Market Small Generation Aggregator* in relation to the premises.

**SCHEDULE 5A.1 – Minimum content requirements for connection contract****Part B Connection offer involving embedded generation**

- (a) A *connection offer* to *an embedded generating unit operator* ~~a person who operates, or proposes to operate, an embedded generating unit (the embedded generator)~~ must contain:
- (1) a provision stating that a *connection contract* will be formed, and will come into operation, on acceptance of the *connection offer*; and
  - (2) details of the *connection point*, the maximum capacity of the *connection* to import and export electricity, and the *embedded generating unit operator's embedded generator's* installation required at the *connection point*; and
  - (2a) details of the *DER generation information* required to be provided to the *Distribution Network Service Provider* by the *embedded generating unit operator embedded generator*; and
  - (3) details of the *premises connection assets* and additional equipment to be installed on the premises and responsibility for undertaking the work; and
  - (4) details of any *distribution network extension* or other *augmentation* required for the purposes of the *connection*; and

- (5) an undertaking to complete the work required to establish the *connection* within a specified *time* frame; and
  - (6) a requirement that the *embedded generating unit operator* ~~*embedded generator*~~ have appropriate *metering* installed; and
  - (7) the relevant technical and safety obligations to be met by the *embedded generating unit operator* ~~*embedded generator*~~ relating to the installation; and
  - (8) the *embedded generating unit operator's* ~~*embedded generator's*~~ obligation to allow access to the premises by the *Distribution Network Service Provider's* agents, contractors and employees; and
  - (9) the *embedded generating unit operator's* ~~*embedded generator's*~~ obligation to accommodate on its premises, and protect from harm, any equipment necessary for the *connection*; and
  - (10) details of the *embedded generating unit operator's* ~~*embedded generator's*~~ monetary obligations including billing arrangements and any security to be provided by the *embedded generating unit operator* ~~*embedded generator*~~; and
  - (11) details of the *Distribution Network Service Provider's* monetary obligations (if any) to the *embedded generating unit operator* ~~*embedded generator*~~; and
  - (12) a provision requiring the *Distribution Network Service Provider* to provide information about the *connection* to the *embedded generating unit operator* ~~*embedded generator*~~; and
  - (13) provision for amendment of the *connection contract* by agreement between the *Distribution Network Service Provider* and the *embedded generating unit operator* ~~*embedded generator*~~.
- (b) A *connection contract* that relates to *supply services* must also deal with:
- (1) the *Distribution Network Service Provider's* power to interrupt or reduce the *supply services at supply* ~~*of electricity to the connection point*~~; and
  - (2) warranties and limitations on the *Distribution Network Service Provider's* liability; and
  - (3) *disconnection* and reconnection; and
  - (4) reporting and correction of faults; and
  - (5) dispute resolution; and
  - (6) ongoing obligations of the *Distribution Network Service Provider* and the *embedded generating unit operator* ~~*embedded generator*~~; and
  - (7) termination of the *connection contract*.

## 6. Economic Regulation of Distribution Services

### Part A Introduction

#### 6.1 Introduction to Chapter 6

##### 6.1.4 ~~[Deleted] Prohibition of DUOS charges for the export of energy~~

~~(a) A Distribution Network Service Provider must not charge a Distribution Network User distribution use of system charges for the export of electricity generated by the user into the distribution network.~~

~~(b) This does not, however, preclude charges for the provision of connection services.~~

### Part B Classification of Distribution Services and Distribution Determinations

#### 6.2 Classification

##### 6.2.2 Classification of direct control services as standard control services or alternative control services

- (a) *Direct control services* are to be further divided into 2 subclasses:
- (1) *standard control services*; and
  - (2) *alternative control services*.
- (b) The *AER* may group *direct control services* together for the purpose of classification and, if it does so, a single classification made for the group applies to each service comprised in the group as if it had been separately classified.
- (c) The *AER* must, in classifying a *direct control service* as a *standard control service* or an *alternative control service*, have regard to:
- (1) the potential for development of competition in the relevant market and how the classification might influence that potential; and
  - (2) the possible effects of the classification on administrative costs of the *AER*, the *Distribution Network Service Provider* and users or potential users of the relevant service; and
  - (3) the regulatory approach (if any) applicable to the relevant service immediately before the commencement of the distribution determination for which the classification is made; and
  - (4) the desirability of a consistent regulatory approach to similar services (both within and beyond the relevant jurisdiction); and
  - (5) the extent the costs of providing the relevant service are directly attributable to the person to whom the service is provided; and

##### **Example:**

In circumstances where a service is provided to a small number of identifiable customers on a discretionary or infrequent basis, and costs can be directly attributed to those customers, it

may be more appropriate to classify the service as an alternative control service than as a standard control service.

(6) any other relevant factor.

(d) **[Deleted]**

(e) If the *Rules*, however, require that a *direct control service* of a specified kind be classified either as a *standard control service* or as an *alternative control service*, a *direct control service* of the relevant kind is to be classified in accordance with that requirement.

### 6.2.5 Control mechanisms for direct control services

- (a) A distribution determination is to impose controls over the prices of *direct control services*, the revenue to be derived from *direct control services* or both.
- (b) The control mechanism may consist of:
- (1) a schedule of fixed prices;
  - (2) caps on the prices of individual services;
  - (3) caps on the revenue to be derived from a particular combination of services;
  - (4) tariff basket price control;
  - (5) revenue yield control; or
  - (6) a combination of any of the above.
- (c) In deciding on a control mechanism for *standard control services*, the *AER* must have regard to:
- (1) the need for efficient tariff structures; and
  - (2) the possible effects of the control mechanism on administrative costs of the *AER*, the *Distribution Network Service Provider* and users or potential users of the relevant services; and
  - (3) the regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination; and
  - (4) the desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction); and
  - (5) any other relevant factor.
- (d) In deciding on a control mechanism for *alternative control services*, the *AER* must have regard to:
- (1) the potential for development of competition in the relevant market and how the control mechanism might influence that potential; and
  - (2) the possible effects of the control mechanism on administrative costs of the *AER*, the *Distribution Network Service Provider* and users or potential users of the relevant services; and

- (3) the regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination; and
- (4) the desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction); and
- (5) any other relevant factor.

### 6.2.8 Guidelines

- (a) The *AER*:
  - (1) must make and *publish* the *Shared Asset Guidelines*, the *Capital Expenditure Incentive Guidelines*, the *Expenditure Forecast Assessment Guidelines*, the *Distribution Confidentiality Guidelines*, the *Distribution Service Classification Guidelines*, the *Export Tariff Guidelines*, the *Asset Exemption Guidelines* and the *Cost Allocation Guidelines* in accordance with the *Rules*; and
  - (2) may, in accordance with the *distribution consultation procedures*, make and *publish* guidelines as to any other matters relevant to this Chapter.
- (b) A guideline may relate to a specified *Distribution Network Service Provider* or *Distribution Network Service Providers* of a specified class.
- (c) Except as otherwise provided in this Chapter, a guideline is not mandatory (and so does not bind the *AER* or anyone else) but, if the *AER*:
  - (1) makes a distribution determination that is not in accordance with the guideline, the *AER* must state, in its reasons for the distribution determination, the reasons for departing from the guideline;
  - (2) makes a decision in respect of an *asset exemption* under clause 6.4B.1(a)(3) or (4) that is not made in accordance with the *Asset Exemption Guidelines*, the *AER* must state, in its reasons for that decision, the reasons for departing from that guideline; and
  - (3) makes a *framework and approach paper* that is not in accordance with the *Distribution Service Classification Guidelines*, the *AER* must state, in the relevant *framework and approach paper*, the reasons for departing from that guideline.
- (d) If a guideline indicates that there may be a change of regulatory approach in future distribution determinations, the guideline should also (if practicable) indicate how transitional issues are to be dealt with.
- (e) Subject to paragraph (f), the *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace a guideline.
- (f) The *AER* may make administrative or minor amendments to any guideline without complying with the *distribution consultation procedures*.
- (g) This clause 6.2.8 does not apply to the *Distribution Ring-Fencing Guidelines* or the *Distribution Reliability Measures Guidelines*.

## Part C Building Block Determinations for standard control services

### 6.4 Post-tax revenue model

#### 6.4.5 Expenditure Forecast Assessment Guidelines

- (a) The *AER* must, in accordance with the *distribution consultation procedures*, develop and *publish* guidelines (the *Expenditure Forecast Assessment Guidelines*) that specify:
- (1) the approach or approaches the *AER* proposes to use to assess the forecasts of operating expenditure and capital expenditure that form part of *Distribution Network Service Providers' regulatory proposals*; and
  - (2) the information the *AER* requires for the purposes of that assessment.
- (b) There must be *Expenditure Forecast Assessment Guidelines* in force at all times after the date on which the *AER* first *publishes* the *Expenditure Forecast Assessment Guidelines* under the *Rules*.

### 6.5 Matters relevant to the making of building block determinations

#### 6.5.6 Forecast operating expenditure

- (a) A *building block proposal* must include the total forecast operating expenditure for the relevant *regulatory control period* which the *Distribution Network Service Provider* considers is required in order to achieve each of the following (the *operating expenditure objectives*):
- (1) meet or manage the expected demand for *standard control services* over that period;
  - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *standard control services*;
  - (3) to the extent that there is no applicable *regulatory obligation or requirement* in relation to:
    - (i) the quality, reliability or security of supply of *standard control services*; or
    - (ii) the reliability or security of the *distribution system* through the supply of *standard control services*,to the relevant extent:
    - (iii) maintain the quality, reliability and security of supply of *standard control services*; and
    - (iv) maintain the reliability and security of the *distribution system* through the supply of *standard control services*; and
  - (4) maintain the safety of the *distribution system* through the supply of *standard control services*.

- (b) The forecast of required operating expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* must:
- (1) comply with the requirements of any relevant *regulatory information instrument*;
  - (2) be for expenditure that is properly allocated to *standard control services* in accordance with the principles and policies set out in the *Cost Allocation Method* for the *Distribution Network Service Provider*; and
  - (3) include both:
    - (i) the total of the forecast operating expenditure for the relevant *regulatory control period*; and
    - (ii) the forecast operating expenditure for each *regulatory year* of the relevant *regulatory control period*.
- (c) The *AER* must accept the forecast of required operating expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* if the *AER* is satisfied that the total of the forecast operating expenditure for the *regulatory control period* reasonably reflects each of the following (the *operating expenditure criteria*):
- (1) the efficient costs of achieving the *operating expenditure objectives*; and
  - (2) the costs that a prudent operator would require to achieve the *operating expenditure objectives*; and
  - (3) a realistic expectation of the demand forecast and cost inputs required to achieve the *operating expenditure objectives*.
- (d) If the *AER* is not satisfied as referred to in paragraph (c), it must not accept the forecast of required operating expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal*.
- (e) In deciding whether or not the *AER* is satisfied as referred to in paragraph (c), the *AER* must have regard to the following (the *operating expenditure factors*):
- (1) **[Deleted]**
  - (2) **[Deleted]**
  - (3) **[Deleted]**
  - (4) the most recent *annual benchmarking report* that has been *published* under rule 6.27 and the benchmark operating expenditure that would be incurred by an efficient *Distribution Network Service Provider* over the relevant *regulatory control period*;
  - (5) the actual and expected operating expenditure of the *Distribution Network Service Provider* during any preceding *regulatory control periods*;
  - (5A) the extent to which the operating expenditure forecast includes expenditure to address the concerns of *distribution service end users* ~~electricity consumers~~ as identified by the *Distribution Network Service*

*Provider* in the course of its engagement with *distribution service end users or groups representing them-electricity consumers*;

- (6) the relative prices of operating and capital inputs;
- (7) the substitution possibilities between operating and capital expenditure;
- (8) whether the operating expenditure forecast is consistent with any incentive scheme or schemes that apply to the *Distribution Network Service Provider* under clauses 6.5.8 or 6.6.2 to 6.6.4;
- (9) the extent the operating expenditure forecast is referable to arrangements with a person other than the *Distribution Network Service Provider* that, in the opinion of the *AER*, do not reflect arm's length terms;
- (9A) whether the operating expenditure forecast includes an amount relating to a project that should more appropriately be included as a *contingent project* under clause 6.6A.1(b);
- (10) the extent the *Distribution Network Service Provider* has considered, and made provision for, efficient and prudent *non-network options*; and
- (11) any relevant final project assessment report (as defined in clause 5.10.2) *published* under clause 5.17.4(o), (p) or (s);
- (12) any other factor the *AER* considers relevant and which the *AER* has notified the *Distribution Network Service Provider* in writing, prior to the submission of its revised *regulatory proposal* under clause 6.10.3, is an *operating expenditure factor*.

### **6.5.7 Forecast capital expenditure**

- (a) A *building block proposal* must include the total forecast capital expenditure for the relevant *regulatory control period* which the *Distribution Network Service Provider* considers is required in order to achieve each of the following (the *capital expenditure objectives*):
  - (1) meet or manage the expected demand for *standard control services* over that period;
  - (2) comply with all applicable *regulatory obligations or requirements* associated with the provision of *standard control services*;
  - (3) to the extent that there is no applicable *regulatory obligation or requirement* in relation to:
    - (i) the quality, reliability or security of supply of *standard control services*; or
    - (ii) the reliability or security of the *distribution system* through the supply of *standard control services*,to the relevant extent:
    - (iii) maintain the quality, reliability and security of supply of *standard control services*; and

- (iv) maintain the reliability and security of the *distribution system* through the supply of *standard control services*; and
  - (4) maintain the safety of the *distribution system* through the supply of *standard control services*.
- (b) The forecast of required capital expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* must:
  - (1) comply with the requirements of any relevant *regulatory information instrument*;
  - (2) be for expenditure that is properly allocated to *standard control services* in accordance with the principles and policies set out in the *Cost Allocation Method* for the *Distribution Network Service Provider*;
  - (3) include both:
    - (i) the total of the forecast capital expenditure for the relevant *regulatory control period*; and
    - (ii) the forecast capital expenditure for each *regulatory year* of the relevant *regulatory control period*; and
  - (4) identify any forecast capital expenditure for the relevant *regulatory control period* that is for an option that has satisfied the *regulatory investment test for transmission* or the *regulatory investment test for distribution* (as the case may be); and
  - (5) not include *expenditure for a restricted asset*, unless:
    - (i) to the extent that any such expenditure includes an amount of unspent capital expenditure for a *contingent project* in accordance with paragraph (g), an *asset exemption* has been granted by the *AER* under clause 6.4B.1(a)(2) in respect of that asset or that class of asset for that *contingent project*;
    - (ii) to the extent that any such expenditure relates to a *positive pass through amount*, an *asset exemption* has been granted by the *AER* under clause 6.4B.1(a)(3) in respect of that asset or that class of asset for that *positive pass through amount*; or
    - (iii) otherwise, the *Distribution Network Service Provider* has submitted an *exemption application* with the *regulatory proposal* requesting an *asset exemption* under clause 6.4B.1(a)(1) for the *regulatory control period* in respect of that asset or class of asset.
- (c) The *AER* must:
  - (1) subject to subparagraph (c)(2), accept the forecast of required capital expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* if the *AER* is satisfied that the total of the forecast capital expenditure for the *regulatory control period* reasonably reflects each of the following (the *capital expenditure criteria*):
    - (i) the efficient costs of achieving the *capital expenditure objectives*;

- (ii) the costs that a prudent operator would require to achieve the *capital expenditure objectives*; and
  - (iii) a realistic expectation of the demand forecast and cost inputs required to achieve the *capital expenditure objectives*.
- (2) not accept the forecast of required capital expenditure of a *Distribution Network Service Provider* that is included in a *building block proposal* if that forecast includes *expenditure for a restricted asset*, unless:
  - (i) to the extent that any such expenditure includes an amount of unspent capital expenditure for a *contingent project* in accordance with paragraph (g), an *asset exemption* has been granted by the *AER* under clause 6.4B.1(a)(2) in respect of that asset or that class of asset for that *contingent project*;
  - (ii) to the extent that any such expenditure relates to a *positive pass through amount*, an *asset exemption* has been granted by the *AER* under clause 6.4B.1(a)(3) in respect of that asset or that class of asset for that *positive pass through amount*; or
  - (iii) otherwise:
    - (A) that *Distribution Network Service Provider* has requested an *asset exemption* under subparagraph (b)(5) in respect of that asset or that class of asset; and
    - (B) the *AER* has granted that *asset exemption*.
- (d) If the *AER* is not satisfied as referred to in paragraph (c), it must not accept the forecast of required capital expenditure of a *Distribution Network Service Provider*.
- (e) In deciding whether or not the *AER* is satisfied as referred to in paragraph (c), the *AER* must have regard to the following (the *capital expenditure factors*):
  - (1) **[Deleted]**
  - (2) **[Deleted]**
  - (3) **[Deleted]**
  - (4) the most recent *annual benchmarking report* that has been *published* under rule 6.27 and the benchmark capital expenditure that would be incurred by an efficient *Distribution Network Service Provider* over the relevant *regulatory control period*;
  - (5) the actual and expected capital expenditure of the *Distribution Network Service Provider* during any preceding *regulatory control periods*;
  - (5A) the extent to which the capital expenditure forecast includes expenditure to address the concerns of *distribution service end users electricity consumers* as identified by the *Distribution Network Service Provider* in the course of its engagement with *distribution service end users or groups representing themelectricity consumers*;
  - (6) the relative prices of operating and capital inputs;
  - (7) the substitution possibilities between operating and capital expenditure;

- (8) whether the capital expenditure forecast is consistent with any incentive scheme or schemes that apply to the *Distribution Network Service Provider* under clauses 6.5.8A or 6.6.2 to 6.6.4;
- (9) the extent the capital expenditure forecast is referable to arrangements with a person other than the *Distribution Network Service Provider* that, in the opinion of the *AER*, do not reflect arm's length terms;
- (9A) whether the capital expenditure forecast includes an amount relating to a project that should more appropriately be included as a *contingent project* under clause 6.6A.1(b);
- (10) the extent the *Distribution Network Service Provider* has considered, and made provision for, efficient and prudent *non-network options* ;
- (11) any relevant final project assessment report (as defined in clause 5.10.2) *published* under clause 5.17.4(o), (p) or (s); and
- (12) any other factor the *AER* considers relevant and which the *AER* has notified the *Distribution Network Service Provider* in writing, prior to the submission of its revised *regulatory proposal* under clause 6.10.3, is a *capital expenditure factor*.

#### **Forecast capital expenditure and contingent projects**

- (f) Paragraphs (g) - (j) apply where:
  - (1) in a *regulatory control period* (the **first regulatory control period**), the *AER* determines under clause 6.6A.2(e)(1)(iii) that the likely completion date for a *contingent project* is a date which occurs in the immediately following *regulatory control period* (the **second regulatory control period**); and
  - (2) there is an unspent amount of capital expenditure for that *contingent project* under paragraph (g).
- (g) Subject to paragraphs (ga) and (j), a *Distribution Network Service Provider's regulatory proposal* for the second *regulatory control period* must include in the forecast of required capital expenditure referred to in paragraph (a) an amount of any unspent capital expenditure for each *contingent project* as described in subparagraph (f)(2), that equals the difference (if any) between:
  - (1) the total capital expenditure for that *contingent project*, as determined by the *AER* in the first *regulatory control period* under clause 6.6A.2(e)(1)(ii); and
  - (2) the total of the capital expenditure actually incurred (or estimated capital expenditure for any part of the first *regulatory control period* for which actual capital expenditure is not available) in the first *regulatory control period* for that *contingent project*.
- (ga) For the purposes of calculating any unspent capital expenditure in accordance with paragraph (g), the total or estimate of capital expenditure referred to in subparagraph (g)(2) must not include *expenditure for a restricted asset*, unless:

- (1) the *Distribution Network Service Provider* has submitted an *exemption application* under clause 6.6A.1(a1) for the previous *regulatory control period*, which requested an *asset exemption* under clause 6.4B.1(a)(2) in respect of that asset or class of asset for that *contingent project*; and
  - (2) the *AER* has granted that *asset exemption*.
- (h) The *AER* must include in any forecast capital expenditure for the second *regulatory control period* which is accepted in accordance with paragraph (c) or substituted in accordance with clause 6.12.1(3)(ii) (as the case may be) the amount of any unspent capital expenditure calculated in accordance with paragraph (g).
- (i) Without limiting the requirement in paragraph (h), in deciding whether or not to accept the forecast of required capital expenditure of a *Distribution Network Service Provider* for the second *regulatory control period* in accordance with this clause 6.5.7, the *AER* must not:
- (1) assess the reasonableness of the amount of unspent capital expenditure for a *contingent project* referred to in paragraph (g) or the remaining period to which the *contingent project* applies;
  - (2) assess the reasonableness of the timing of the unspent capital expenditure within the remaining period for a *contingent project* referred to in paragraph (g) except as part of the assessment of the total forecast capital expenditure under paragraph (c); or
  - (3) take into account any amount which represents for a *contingent project* referred to in paragraph (g) the difference between:
    - (i) the amount representing the sum of the forecast capital expenditure for that *contingent project* for each year of the immediately preceding *regulatory control period* referred to in clause 6.6A.2(e)(1)(i); and
    - (ii) the total capital expenditure actually incurred (or estimated capital expenditure for any part of the preceding *regulatory control period* for which actual capital expenditure is not available) in the immediately preceding *regulatory control period* for that *contingent project*.
- (j) A *regulatory proposal* in respect of the second *regulatory control period* must not include in the forecast of required capital expenditure referred to in paragraph (a) any capital expenditure for a *contingent project* for the first *regulatory control period*:
- (1) to the extent that the capital expenditure was included in the amount of capital expenditure for that *contingent project* as determined in the first *regulatory control period* under clause 6.6A.2(e)(1)(i); and
  - (2) the capital expenditure actually incurred (or estimated capital expenditure for any part of the first *regulatory control period* for which actual capital expenditure is not available) in the first *regulatory control period* for that *contingent project* exceeded the capital expenditure referred to in subparagraph (1).

### 6.5.8 Efficiency benefit sharing scheme

- (a) The *AER* must, in accordance with the *distribution consultation procedures*, develop and *publish* an incentive scheme or schemes (*efficiency benefit sharing scheme*) that provide for a fair sharing between *Distribution Network Service Providers* and *Distribution Network Users* of:
- (1) the efficiency gains derived from the operating expenditure of *Distribution Network Service Providers* for a *regulatory control period* being less than; and
  - (2) the efficiency losses derived from the operating expenditure of *Distribution Network Service Providers* for a *regulatory control period* being more than, the forecast operating expenditure accepted or substituted by the *AER* for that *regulatory control period*.
- (b) An *efficiency benefit sharing scheme* may (but is not required to) be developed to cover efficiency gains and losses related to *distribution losses*.
- (c) In developing and implementing an *efficiency benefit sharing scheme*, the *AER* must have regard to:
- (1) the need to ensure that benefits to *distribution service end users* ~~*electricity consumers*~~ likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme for *Distribution Network Service Providers*;
  - (2) the need to provide *Distribution Network Service Providers* with a continuous incentive, so far as is consistent with economic efficiency, to reduce operating expenditure;
  - (3) the desirability of both rewarding *Distribution Network Service Providers* for efficiency gains and penalising *Distribution Network Service Providers* for efficiency losses;
  - (4) any incentives that *Distribution Network Service Providers* may have to capitalise expenditure; and
  - (5) the possible effects of the scheme on incentives for the implementation of *non-network options*.
- (d) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace an *efficiency benefit sharing scheme*.

## 6.6 Adjustments after making of building block determination.

### 6.6.1 Cost pass through

- (a1) Any of the following is a *pass through event* for a distribution determination:
- (1) a *regulatory change event*;
  - (2) a *service standard event*;
  - (3) a *tax change event*;

- (4) a *retailer insolvency event*; and
  - (5) any other event specified in a distribution determination as a *pass through event* for the determination.
- (a) If a *positive change event* occurs, a *Distribution Network Service Provider* may seek the approval of the *AER* to pass through to *Distribution Network Users* a *positive pass through amount*.
  - (b) If a *negative change event* occurs, the *AER* may require the *Distribution Network Service Provider* to pass through to *Distribution Network Users* a *negative pass through amount* as determined by the *AER* under paragraph (g).

### **Positive pass through**

- (c) To seek the approval of the *AER* to pass through a *positive pass through amount*, a *Distribution Network Service Provider* must submit to the *AER*, within 90 *business days* of the relevant *positive change event* occurring, a written statement which specifies:
  - (1) the details of the *positive change event*;
  - (2) the date on which the *positive change event* occurred;
  - (3) the *eligible pass through amount* in respect of that *positive change event*;
  - (4) the *positive pass through amount* the *Distribution Network Service Provider* proposes in relation to the *positive change event*;
  - (5) the amount of the *positive pass through amount* that the *Distribution Network Service Provider* proposes should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred;
  - (6) evidence:
    - (i) of the actual and likely increase in costs referred to in subparagraph (3);
    - (ii) that such costs occur solely as a consequence of the *positive change event*; and
    - (iii) in relation to a *retailer insolvency event*, of:
      - (A) the amount to which the *Distribution Network Service Provider* is entitled under any relevant *credit support*;
      - (B) the maximum amount of *credit support* (if any) that the *Distribution Network Service Provider* was entitled to request the *retailer* or *Market Small Generation Aggregator* to provide under the *credit support rules*; and
      - (C) any amount that the *Distribution Network Service Provider* is likely to receive on a winding-up of the *retailer* or *Market Small Generation Aggregator*; and
  - (7) such other information as may be required under any relevant *regulatory information instrument*.

- (c1) The *positive pass through amount* proposed by the *Distribution Network Service Provider* under subparagraph (c)(4) must not, in whole or in part, be in respect of *expenditure for a restricted asset*, unless the *Distribution Network Service Provider* has submitted an *exemption application* with the statement under paragraph (c), which requests an *asset exemption* under clause 6.4B.1(a)(3) in respect of that asset or class of asset for the *positive pass through amount*.
- (d) If the *AER* determines that a *positive change event* has occurred in respect of a statement under paragraph (c), the *AER* must:
- (1) determine:
    - (i) the *approved pass through amount*; and
    - (ii) the amount of that *approved pass through amount* that should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred, taking into account the matters referred to in paragraph (j); and
  - (2) determine whether or not to grant the *asset exemption* requested under paragraph (c1).
- (d1) The *AER* must *publish*:
- (1) the reasons for its determination under subparagraph (d)(2); and
  - (2) any content required under clause 6.2.8(c)(2),
- at the same time as making its determination under subparagraph (d)(1).
- (d2) The *AER* must not determine an *approved pass through amount* that is, in whole or in part, in respect of *expenditure for a restricted asset*, unless:
- (1) the *Distribution Network Service Provider* has requested an *asset exemption* under paragraph (c1) in respect of that asset or that class of asset for the *positive pass through amount*; and
  - (2) the *AER* has granted that *asset exemption* under subparagraph (d)(2).
- (e) Subject to paragraph (k1), if the *AER* does not make the determinations referred to in paragraph (d) within 40 *business days* from the later of the date it receives the *Distribution Network Service Provider's* statement and accompanying evidence under paragraph (c), and the date it receives any additional information required under paragraph (e1), then, on the expiry of that period, the *AER* is taken to have determined that:
- (1) the *positive pass through amount* as proposed in the *Distribution Network Service Provider's* statement under paragraph (c) is the *approved pass through amount* in respect of that *positive change event*; and
  - (2) the amount of that *positive pass through amount* that the *Distribution Network Service Provider* proposes in its statement under ~~paragraph (c)~~ ~~paragraph(e)~~ should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred, is the amount that should be so passed through in each such *regulatory year*; and

(3) the *asset exemption* requested under paragraph (c1) is granted.

(e1) A *Distribution Network Service Provider* must provide the *AER* with such additional information as the *AER* requires for the purpose of making a determination under paragraph (d) within the time specified by the *AER* in a notice provided to the *Distribution Network Service Provider* by the *AER* for that purpose.

### **Negative pass through**

(f) A *Distribution Network Service Provider* must submit to the *AER*, within 90 *business days* of becoming aware of the occurrence of a *negative change event* for the *Distribution Network Service Provider*, a written statement which specifies:

(1) the details of the *negative change event* concerned;

(2) the date the *negative change event* occurred;

(3) the costs in the provision of *direct control services* that the *Distribution Network Service Provider* has saved and is likely to save as a result of the *negative change event* until:

(i) unless subparagraph (ii) applies – the end of the *regulatory control period* in which the *negative change event* occurred; or

(ii) if the distribution determination for the *regulatory control period* following that in which the *negative change event* occurred does not make any allowance for the pass through of those cost savings - the end of the *regulatory control period* following that in which the *negative change event* occurred;

(4) the aggregate amount of those saved costs that the *Distribution Network Service Provider* proposes should be passed through to *Distribution Network Users*;

(5) the amount of the costs referred to in subparagraph (4) the *Distribution Network Service Provider* proposes should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *negative change event* occurred; and

(6) such other information as may be required under any relevant *regulatory information instrument*.

(f1) If the occurrence of the *negative change event* is not notified by the *Distribution Network Service Provider* to the *AER* under paragraph (f) then, as soon as is reasonably practicable and before making a determination referred to in paragraph (g), the *AER* must notify the *Distribution Network Service Provider* of the occurrence of that *negative change event*.

(g) If a *negative change event* occurs (whether or not the occurrence of that *negative change event* is notified by the *Distribution Network Service Provider* to the *AER* under paragraph (f)) and the *AER* determines to impose a requirement on the provider in relation to that *negative change event* as described in paragraph (b), the *AER* must determine:

- (1) the *required pass through amount*; and
  - (2) taking into account the matters referred to in paragraph (j):
    - (i) how much of that *required pass through amount* should be passed through to *Distribution Network Users* (the "*negative pass through amount*"); and
    - (ii) the amount of that *negative pass through amount* that should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *negative change event* occurred.
- (g1) Subject to paragraph (k1), if the *AER* does not make the determinations referred to in paragraph (g) within 40 *business days* from:
- (1) where the *Distribution Network Service Provider* notifies the *AER* of the occurrence of the *negative change event* under paragraph (f) - the later of the date the *AER* receives the *Distribution Network Service Provider's* statement under paragraph (f) and the date the *AER* receives any information required by the *AER* under paragraph (h); or
  - (2) where the *Distribution Network Service Provider* does not notify the *AER* of the occurrence of the *negative change event* under paragraph (f) – the later of the date the *AER* notifies the *Distribution Network Service Provider* under paragraph (g1) and the date the *AER* receives any information required by the *AER* under paragraph (h),
- then the *AER* is taken to have determined that the *required pass through amount* is zero.
- (h) A *Distribution Network Service Provider* must provide the *AER* with such information as the *AER* requires for the purpose of making a determination under paragraph (g) within the time specified by the *AER* in a notice provided to the *Distribution Network Service Provider* by the *AER* for that purpose.

### **Consultation**

- (i) Before making a determination under paragraph (d) or (g), the *AER* may consult with the relevant *Distribution Network Service Provider* and such other persons as the *AER* considers appropriate, on any matters arising out of the relevant *pass through event* the *AER* considers appropriate.

### **Relevant factors**

- (j) In making a determination under paragraph (d) or (g) in respect of a *Distribution Network Service Provider*, the *AER* must take into account:
  - (1) the matters and proposals set out in any statement given to the *AER* by the *Distribution Network Service Provider* under paragraph (c) or (f); and
  - (2) in the case of a *positive change event*, the increase in costs in the provision of *direct control services* that, as a result of the *positive change event*, the *Distribution Network Service Provider* has incurred and is likely to incur until:

- (i) unless subparagraph(ii) applies – the end of the *regulatory control period* in which the *positive change event* occurred; or
  - (ii) if the distribution determination for the *regulatory control period* following that in which the *positive change event* occurred does not make any allowance for the recovery of that increase in costs – the end of the *regulatory control period* following that in which the *positive change event* occurred;
- (2A) in the case of a *negative change event*, the costs in the provision of *direct control services* that, as a result of the *negative change event*, the *Distribution Network Service Provider* has saved and is likely to save until:
  - (i) unless subparagraph(ii) applies – the end of the *regulatory control period* in which the *negative change event* occurred; or
  - (ii) if the distribution determination for the *regulatory control period* following that in which the *negative change event* occurred does not make any allowance for the pass through of those cost savings to *Distribution Network Users* – the end of the *regulatory control period* following that in which the *negative change event* occurred;
- (3) in the case of a *positive change event*, the efficiency of the *Distribution Network Service Provider's* decisions and actions in relation to the risk of the *positive change event*, including whether the *Distribution Network Service Provider* has failed to take any action that could reasonably be taken to reduce the magnitude of the *eligible pass through amount* in respect of that *positive change event* and whether the *Distribution Network Service Provider* has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that *positive change event*;
- (4) the time cost of money based on the *allowed rate of return* for the *Distribution Network Service Provider* for the *regulatory control period* in which the *pass through event* occurred;
- (5) the need to ensure that the *Distribution Network Service Provider* only recovers any actual or likely increment in costs under this paragraph (j) to the extent that such increment is solely as a consequence of a *pass through event*;
- (6) in the case of a *tax change event*, any change in the way another *tax* is calculated, or the removal or imposition of another *tax*, which, in the *AER's* opinion, is complementary to the *tax change event* concerned;
- (7) whether the costs of the *pass through event* have already been factored into the calculation of the *Distribution Network Service Provider's* *annual revenue requirement* for the *regulatory control period* in which the *pass through event* occurred or will be factored into the calculation of the *Distribution Network Service Provider's* *annual revenue requirement* for a subsequent *regulatory control period*;

- (7A) the extent to which the costs that the *Distribution Network Service Provider* has incurred and is likely to incur are the subject of a previous determination made by the *AER* under this clause 6.6.1; and
- (8) any other factors that the *AER* considers relevant.

**Extension of time limits**

- (k) The *AER* must, by written notice to a *Distribution Network Service Provider*, extend a time limit fixed in paragraph (c) or (f) if the *AER* is satisfied that the difficulty of assessing or quantifying the effect of the relevant *pass through event* justifies the extension.
- (k1) If the *AER* is satisfied that the making of a determination under paragraph (d) or (g) involves issues of such complexity or difficulty that the time limit fixed in paragraph (e) or (g1) should be extended, the *AER* may extend that time limit by a further period of up to 60 *business days*, provided that it gives written notice to the *Distribution Network Service Provider* of that extension not later than 10 *business days* before the expiry of that time limit.
- (k2) If the *AER* extends a time limit under paragraph (k1), it must make available on its website a notice of that extension as soon as is reasonably practicable.
- (k3) Subject to paragraph (k6), if the *AER* gives a written notice to the *Distribution Network Service Provider* stating that it requires information from an *Authority* in order to make a determination under paragraph (d) or (g) then, for the purpose of calculating elapsed time, the period between when the *AER* gives that notice to the *Distribution Network Service Provider* and when the *AER* receives that information from that *Authority* is to be disregarded.
- (k4) Subject to paragraph (k6), if the *AER* gives a written notice to the *Distribution Network Service Provider* stating that, in order to make a determination under paragraph (d) or (g), it requires information that it anticipates will be made publicly available by a judicial body or royal commission then, for the purpose of calculating elapsed time, the period between when the *AER* gives that notice to the *Distribution Network Service Provider* and when that information is made publicly available is to be disregarded.
- (k5) Where the *AER* gives a notice to the *Distribution Network Service Provider* under paragraph (k3) or (k4), it must:
  - (1) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in paragraph (k3) or (k4), as the case may be, has commenced;
  - (2) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in paragraph (k3) or (k4), as the case may be, has ended; and
  - (3) if the information specified in that notice is required from an *Authority*, promptly request that information from the relevant *Authority*.
- (k6) Paragraphs (k3) and (k4) do not apply if the *AER* gives the notice specified in those paragraphs to the *Distribution Network Service Provider* later than 10 *business days* before the expiry of the time limit fixed in paragraphs (e) or (g1).

**Retailer insolvency event**

- (l) For the purposes of calculating the *eligible pass through amount* in relation to a *positive change event* which is a *retailer insolvency event*, the increase in costs is the *retailer insolvency costs* excluding:
- (i) any amount recovered or recoverable from a *retailer* or *Market Small Generation Aggregator* or a guarantor of a *retailer* or *Market Small Generation Aggregator* under any relevant *credit support*; and
  - (ii) amounts that the *Distribution Network Service Provider* is likely to receive on a winding-up of the *retailer* or *Market Small Generation Aggregator*; and
  - (iii) any costs that are recoverable under a *RoLR cost recovery scheme distributor payment determination*.
- (m) The amount the *AER* determines should be passed through to *Distribution Network Users* in respect of a *retailer insolvency event* must be taken to be a cost that can be passed through and not a revenue impact of the event.

**6.6.2 Service target performance incentive scheme**

- (a) The *AER* must, in accordance with the *distribution consultation procedures*, develop and *publish* an incentive scheme or schemes (*service target performance incentive scheme*) to provide incentives (which may include targets) for *Distribution Network Service Providers* to maintain and improve performance.
- (b) In developing and implementing a *service target performance incentive scheme*, the *AER*:
- (1) must consult with the authorities responsible for the administration of relevant *jurisdictional electricity legislation*; and
  - (2) must ensure that service standards and service targets (including guaranteed service levels) set by the scheme do not put at risk the *Distribution Network Service Provider's* ability to comply with relevant service standards and service targets (including guaranteed service levels) as specified in *jurisdictional electricity legislation*; and

**Note:**

A *service target performance incentive scheme* operates concurrently with any average or minimum service standards and guaranteed service level schemes that apply to the *Distribution Network Service Provider* under *jurisdictional electricity legislation*.

- (3) must take into account:
  - (i) the need to ensure that benefits to *distribution service end users* ~~*electricity consumers*~~ likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme for *Distribution Network Service Providers*; and
  - (ii) any *regulatory obligation or requirement* to which the *Distribution Network Service Provider* is subject; and
  - (iii) the past performance of the *distribution network*; and

- (iv) any other incentives available to the *Distribution Network Service Provider* under the *Rules* or a relevant distribution determination; and
  - (v) the need to ensure that the incentives are sufficient to offset any financial incentives the *Distribution Network Service Provider* may have to reduce costs at the expense of service levels; and
  - (vi) the value to distribution service end users of willingness of the customer or end user to pay for improved performance in the delivery of services; and
  - (vii) the possible effects of the scheme on incentives for the implementation of *non-network options*; ~~and~~
- (4) where relevant, must have regard to the *Distribution Reliability Measures Guidelines*; ~~and~~
- (5) may take into account other matters the AER considers relevant.
- (c) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace any scheme that is developed and published under this clause.

**Note:**

A *Distribution Network Service Provider* is not precluded from entering into a contract with a third party (such as a network support service provider) under which the benefits of a *service target performance incentive scheme* are passed on to the third party, or the third party is required to indemnify the provider for penalties to which the provider becomes liable under the scheme.

### 6.6.3 Demand management incentive scheme

- (a) The *AER* must develop a *demand management incentive scheme* consistent with the *demand management incentive scheme objective*.
- (b) The objective of the *demand management incentive scheme* is to provide *Distribution Network Service Providers* with an incentive to undertake efficient expenditure on relevant *non-network options* relating to demand management including demand for export services (the *demand management incentive scheme objective*).
- (c) In developing, and applying, any *demand management incentive scheme*, the *AER* must take into account the following:
  - (1) the scheme should be applied in a manner that contributes to the achievement of the *demand management incentive scheme objective*;
  - (2) the scheme should reward *Distribution Network Service Providers* for implementing relevant *non-network options* that deliver net cost savings to *retail customers*;
  - (3) the scheme should balance the incentives between expenditure on *network options* and *non-network options* relating to demand management. In doing so, the *AER* may take into account the net economic benefits delivered to all those who produce, consume and transport electricity in the *market* associated with implementing relevant *non-network options*;

- (4) the level of the incentive:
  - (i) should be reasonable, considering the long term benefit to *retail customers*;
  - (ii) should not include costs that are otherwise recoverable from any another source, including under a relevant distribution determination; and
  - (iii) may vary by *Distribution Network Service Provider* and over time;
- (5) penalties should not be imposed on *Distribution Network Service Providers* under any scheme;
- (6) the incentives should not be limited by the length of a *regulatory control period*, if such limitations would not contribute to the achievement of the *demand management incentive scheme objective*; and
- (7) the possible interaction between the scheme and:
  - (i) any other incentives available to the *Distribution Network Service Provider* in relation to undertaking efficient expenditure on, or implementation of, relevant *non-network options*;
  - (ii) particular control mechanisms and their effect on a *Distribution Network Service Provider's* available incentives referred to in sub-paragraph (i); and
  - (iii) meeting any *regulatory obligation or requirement*.
- (d) The *AER*:
  - (1) must develop and *publish* the scheme; and
  - (2) may, from time to time, amend or replace the scheme developed and *published* under this clause,in accordance with the *distribution consultation procedures*.

### **6.6.3A Demand management innovation allowance mechanism**

- (a) The *AER* must develop a *demand management innovation allowance mechanism* for *Distribution Network Service Providers* consistent with the *demand management innovation allowance objective*.
- (b) The objective of the *demand management innovation allowance mechanism* is to provide *Distribution Network Service Providers* with funding for research and development in demand management projects that have the potential to reduce long term *network costs* (the *demand management innovation allowance objective*).
- (c) In developing and applying any *demand management innovation allowance mechanism*, the *AER* must take into account the following:
  - (1) the mechanism should be applied in a manner that contributes to the achievement of the *demand management innovation allowance objective*;

- (2) demand management projects, the subject of the allowance, should:
  - (i) have the potential to deliver ongoing reductions in demand or peak demand, which may include reductions in demand for export services; and
  - (ii) be innovative and not be otherwise efficient and prudent *non-network options* that a *Distribution Network Service Providers* should have provided for in its *regulatory proposal*;
- (3) the level of the allowance:
  - (i) should be reasonable, considering the long term benefit to *retail customers*;
  - (ii) should only provide funding that is not available from any another source, including under a relevant distribution determination; and
  - (iii) may vary by *Distribution Network Service Provider* and over time;
- (4) the allowance may fund demand management projects which occur over a period longer than a *regulatory control period*.
- (d) Any mechanism developed and applied by the *AER* must require *Distribution Network Service Providers* to *publish* reports on the nature and results of demand management projects the subject of the allowance.
- (e) The *AER*:
  - (1) must develop and *publish* the mechanism; and
  - (2) may, from time to time, amend or replace any mechanism developed and *published* under this clause,in accordance with the *distribution consultation procedures*.

#### 6.6.4 Small-scale incentive scheme

- (a) The *AER* may, in accordance with the *distribution consultation procedures*, develop and *publish* an incentive scheme or schemes (*small-scale incentive scheme*) to provide that provides *Distribution Network Service Providers* with incentives to provide *standard control services* in a manner that contributes to the achievement of the *national electricity objective*.
- (b) In developing and applying a *small-scale incentive scheme*, the *AER* must have regard to the following matters:
  - (1) *Distribution Network Service Providers* should be rewarded or penalised for efficiency gains or losses in respect of their *distribution systems*;
  - (2) the rewards and penalties should be commensurate with the efficiency gains or efficiency losses in respect of a *distribution system*, but a reward for efficiency gains need not correspond in amount to a penalty for efficiency losses;
  - (3) the benefits to *distribution service end users* ~~electricity consumers~~ that are likely to result from efficiency gains in respect of a *distribution*

- system* should warrant the rewards provided under the scheme, and the detriments to ~~*distribution service end users electricity consumers*~~ that are likely to result from efficiency losses in respect of a *distribution system* should warrant the penalties provided under the scheme;
- (4) the interaction of the scheme with other incentives that *Distribution Network Service Providers* may have under the *Rules*; and
  - (5) the *capital expenditure objectives* and the *operating expenditure objectives*.
- (c) The *AER* may, from time to time and in accordance with the *distribution consultation procedures*, amend or replace any *small-scale incentive scheme*.
- (d) Where the *AER* applies a *small-scale incentive scheme* to a *Distribution Network Service Provider* for a *regulatory control period*:
- (1) the aggregate rewards or penalties for a *regulatory year* in that *regulatory control period* that are provided or imposed under that scheme and any other *small-scale incentive schemes* that apply to that *Distribution Network Service Provider* must not exceed 0.5% of the *annual revenue requirement* for the *Distribution Network Service Provider* for that *regulatory year* unless the *Distribution Network Service Provider* consents to the contrary, in which case that aggregate must not exceed 1% of the *annual revenue requirement* for the *Distribution Network Service Provider* for that *regulatory year*; and
  - (2) the *small-scale incentive scheme* must cease to provide rewards or impose penalties in respect of a *regulatory year* after the expiry of such a period as is determined by the *AER*, being a period that is not more than two *regulatory control periods* after the commencement of that scheme.
- (e) Notwithstanding anything else contained in this clause, the *AER* may require a *Distribution Network Service Provider* to participate in a trial of a *small-scale incentive scheme* under which, for the duration of that trial, the *Distribution Network Service Provider* is not required to bear any penalty and is not entitled to earn any reward.

## Part E Regulatory proposal and proposed tariff structure statement

### 6.8 Regulatory proposal and proposed tariff structure statement

#### 6.8.1B Export Tariff Guidelines

- (a) The *AER* must in accordance with the *distribution consultation procedures*, develop and publish guidelines (the *Export Tariff Guidelines*) taking into account the objective in paragraph (b).
- (b) The objective of the *Export Tariff Guidelines* is to provide information and guidance to *Distribution Network Service Providers*, *distribution service end users*, *retailers*, *Market Small Generation Aggregators* and other stakeholders about the process for development and approval of *export tariffs*.

- (c) The *Export Tariff Guidelines* may include information and guidance about:
- (1) stakeholder engagement in relation to proposed *export tariffs*;
  - (2) the provision of information about stakeholder concerns and how they have been taken into account;
  - (3) the *AER's* approach (including worked examples) to applying the *network pricing objective and pricing principles* in relation to *export tariffs*; and
  - (4) any other matters the *AER* considers appropriate.
- (d) The *Export Tariff Guidelines* are not binding on the *AER* or a *Distribution Network Service Provider*.

## 6.8.2 Submission of regulatory proposal, tariff structure statement and exemption application

- (a) A *Distribution Network Service Provider* must, whenever required to do so under paragraph (b), submit to the *AER* a *regulatory proposal* and a proposed *tariff structure statement* related to the *distribution services* provided by means of, or in connection with, the *Distribution Network Service Provider's* *distribution system*.
- (a1) A *Distribution Network Service Provider* must submit to the *AER* any *exemption application* for an *asset exemption* under clause 6.4B.1(a)(1) or 6.4B.1(a)(2) for the *regulatory control period* at the same time as submitting the relevant *regulatory proposal* under paragraph (a).
- (b) A *regulatory proposal*, a proposed *tariff structure statement* and, if required under paragraph (a1), an *exemption application* must be submitted:
- (1) at least 17 months before the expiry of a distribution determination that applies to the *Distribution Network Service Provider*; or
  - (2) if no distribution determination applies to the *Distribution Network Service Provider*, within 3 months after being required to do so by the *AER*.
- (c) A *regulatory proposal* must include (but need not be limited to) the following elements:
- (1) a classification proposal:
    - (i) showing how the *distribution services* to be provided by the *Distribution Network Service Provider* should, in the *Distribution Network Service Provider's* opinion, be classified under this Chapter; and
    - (ii) if the proposed classification differs from the classification suggested in the relevant *framework and approach paper* – including the reasons for the difference;
  - (2) for *direct control services* classified under the proposal as *standard control services* – a *building block proposal*;
  - (3) for *direct control services* classified under the proposal as *alternative control services* – a demonstration of the application of the control

mechanism, as set out in the *framework and approach paper*, and the necessary supporting information;

- (4) **[Deleted]**.
- (5) for services classified under the proposal as *negotiated distribution services* – the proposed *negotiating framework*;
- (5A) the proposed *connection policy*;
- (6) an identification of any parts of the *regulatory proposal* the *Distribution Network Service Provider* claims to be confidential and wants suppressed from publication on that ground in accordance with the *Distribution Confidentiality Guidelines*; and

**Note:**

Additional information that must be included in a *regulatory proposal* is referred to in clause 6.3.1(c) and Schedule 6.1.

- (7) a description (with supporting materials) of how the proposed *tariff structure statement* complies with the *pricing principles for direct control services* including:
  - (i) a description of where there has been any departure from the pricing principles set out in paragraphs 6.18.5(e) to (g); and
  - (ii) an explanation of how that departure complies with clause 6.18.5(c).
- (c1) The *regulatory proposal* must be accompanied by an overview paper in reasonably plain language which includes each of the following matters:
  - ~~(1) a summary of the *regulatory proposal* the purpose of which is to explain the *regulatory proposal* in reasonably plain language to electricity consumers~~
  - (1) a summary to explain:
    - (i) the *regulatory proposal*;
    - (ii) the proposed *tariff structure statement* including the *export tariff transition strategy*;
    - (iii) the interrelationship between the elements of the *regulatory proposal*;
    - (iv) the interrelationship between the *regulatory proposal* and performance; and
    - (v) the interrelationship between the proposed *tariff structure statement* and relevant elements of the *regulatory proposal* (including the proposed *connection policy* and capital expenditure or operating expenditure);
  - (2) a description of:
    - (i) how the *Distribution Network Service Provider* has engaged with relevant stakeholders including *distribution service end users* or *groups representing them* and (in relation to the *tariff structure statement*) *retailers* and *Market Small Generation Aggregators*

- ~~electricity consumers~~ in developing the *regulatory proposal* and the proposed tariff structure statement including the export tariff transition strategy;
- (ii) ~~and has sought to address any~~the relevant concerns identified as a result of that engagement; and
- (iii) how the Distribution Network Service Provider has sought to address those concerns;
- (3) a description of the Distribution Network Service Provider's approach to providing for the costs of distribution services provided to micro embedded generators and non-registered embedded generators, including through the regulatory proposal;
- (4) a description of the other approaches considered by the Distribution Network Service Provider in deciding on the approach referred to in subparagraph (3), including relevant proposals from retail customers, and how they compare to the chosen approach;
- ~~(5)(3)~~a description of the key risks and benefits for distribution service end users of the regulatory proposal for and the proposed tariff structure statement including the export tariff transition strategy~~electricity consumers~~; and
- ~~(6)(4)~~a comparison of the Distribution Network Service Provider's proposed total revenue requirement with its total revenue requirement for the current regulatory control period and an explanation for any material differences between the two amounts; and
- (7) a comparison of the Distribution Network Service Provider's proposed capital expenditure to support the provision of distribution services to micro embedded generators and non-registered embedded generators for the current regulatory control period and its actual or committed capital expenditure for that purpose and explanation for any material differences between the two amounts.
- ~~(c1a) The overview paper must also include a description of how the Distribution Network Service Provider has engaged with retail customers and retailers in developing the proposed tariff structure statement and has sought to address any relevant concerns identified as a result of that engagement.~~
- (c2) The *regulatory proposal* must be accompanied by information required by the *Expenditure Forecast Assessment Guidelines* as set out in the *framework and approach paper*.
- (d) The *regulatory proposal* must comply with the requirements of, and must contain or be accompanied by the information required by any relevant *regulatory information instrument*.
- (d1) The proposed *tariff structure statement* must be accompanied by an *indicative pricing schedule*.
- (d2) The proposed *tariff structure statement* must comply with the *pricing principles for direct control services*.

- (e) If more than one *distribution system* is owned, controlled or operated by a *Distribution Network Service Provider*, then, unless the *AER* otherwise determines, a separate *regulatory proposal* and a separate *tariff structure statement* are to be submitted for each *distribution system*.
- (f) If, at the commencement of this Chapter, different parts of the same *distribution system* were separately regulated, then, unless the *AER* otherwise determines, a separate *regulatory proposal* and a separate *tariff structure statement* are to be submitted for each part as if it were a separate *distribution system*.

## Part I Distribution Pricing Rules

### 6.18 Distribution Pricing Rules

#### 6.18.1A Tariff structure statement

- (a) A *tariff structure statement* of a *Distribution Network Service Provider* must include the following elements:
  - (1) the *tariff classes* into which *retail customers* for *direct control services* will be divided during the relevant *regulatory control period*;
  - (2) the policies and procedures the *Distribution Network Service Provider* will apply for assigning *retail customers* to tariffs or reassigning *retail customers* from one tariff to another (including any applicable restrictions);
  - (2A) a description of the strategies the *Distribution Network Service Provider* has adopted, taking into account the pricing principle in clause 6.18.5(h), for the introduction of *export tariffs* including where relevant the period of transition (*export tariff transition strategy*);
  - (3) the structures for each proposed tariff;
  - (4) the *charging parameters* for each proposed tariff; and
  - (5) a description of the approach that the *Distribution Network Service Provider* will take in setting each tariff in each *pricing proposal* of the *Distribution Network Service Provider* during the relevant *regulatory control period* in accordance with clause 6.18.5.
- (b) A *tariff structure statement* must comply with the *pricing principles for direct control services*.
- (c) A *Distribution Network Service Provider* must comply with the *tariff structure statement* approved by the *AER* and any other applicable requirements in the *Rules*, when the provider is setting the prices that may be charged for *direct control services*.
- (d) Subject to clause 6.18.1B, a *tariff structure statement* may not be amended during a *regulatory control period*.

#### Note

Rule 6.13 still applies in relation to a *tariff structure statement* because that rule deals with the revocation and substitution of a distribution determination (which includes a *tariff structure statement*) as opposed to its amendment.

- (e) A *tariff structure statement* must be accompanied by an indicative *pricing schedule* which sets out, for each tariff for each *regulatory year* of the *regulatory control period*, the indicative price levels determined in accordance with the *tariff structure statement*.

### 6.18.1B Amending a tariff structure statement with the AER's approval

- (a) No later than nine months before the start of a *regulatory year* (other than the first *regulatory year* of a *regulatory control period*) (**relevant regulatory year**), a *Distribution Network Service Provider* may request the *AER* to approve an amendment to its current *tariff structure statement*.
- (b) A request for an amendment to a *tariff structure statement* under paragraph (a) must include:
- (1) the proposed amended *tariff structure statement*;
  - (2) a description of the event that has occurred to cause the *Distribution Network Service Provider* to seek an amendment to its current *tariff structure statement* and why the event:
    - (i) was beyond the reasonable control of the *Distribution Network Service Provider*; and
    - (ii) could not reasonably have been foreseen by the *Distribution Network Service Provider* at the time its current *tariff structure statement* was approved by the *AER*;
  - (3) a description and justification of the differences between the proposed amended *tariff structure statement* and the *Distribution Network Service Provider's* current *tariff structure statement*;
  - (4) a description of how the differences referred to in sub-paragraph (3) would impact the other elements of the *tariff structure statement*;
  - (5) a description of how the proposed amended *tariff structure statement* would better comply with the *pricing principles for direct control services* than the current *tariff structure statement*; and
  - (6) a description of:
    - (i) how the *Distribution Network Service Provider* has engaged with relevant stakeholders including *distribution service end users* or *groups representing them*, ~~*retail customers*~~ and *retailers* and *Market Small Generation Aggregators* in developing the proposed amended *tariff structure statement*;
    - (ii) ~~and has sought to address any~~ relevant concerns identified as a result of that engagement; and
    - (iii) how the *Distribution Network Service Provider* has sought to address the concerns.
- (c) The *AER* must, on receipt of a *Distribution Network Service Provider's* request for an amendment to its *tariff structure statement*, publish the request.

- (d) The *AER* must approve the request for an amendment to a *tariff structure statement* under paragraph (a) if the *Distribution Network Service Provider* demonstrates to the reasonable satisfaction of the *AER* that:
- (1) an event has occurred that:
    - (i) was beyond the reasonable control of the *Distribution Network Service Provider*; and
    - (ii) could not reasonably have been foreseen by the *Distribution Network Service Provider* at the time its current *tariff structure statement* was approved by the *AER*; and
  - (2) as a result of the event referred to in sub-paragraph (1), the proposed amended *tariff structure statement* would, or would be likely to, materially better comply with the *pricing principles for direct control services* than the *Distribution Network Service Provider's* current *tariff structure statement*.
- (e) No later than four months before the start of the relevant *regulatory year*, the *AER* must either approve or refuse to approve the request for an amendment to a *tariff structure statement* under paragraph (a) and set out reasons for its decision.
- (f) If the *AER* refuses to approve the request for an amendment to a *tariff structure statement* under paragraph (a), the current *tariff structure statement* will apply for the relevant *regulatory year* and, subject to any subsequent amendment approved under this clause 6.18.1B, the remainder of the *regulatory control period*.

**Note**

Rule 6.13 still applies in relation to a *tariff structure statement* because that rule deals with the revocation and substitution of a distribution determination (which includes a *tariff structure statement*) as opposed to its amendment.

**6.18.1C Sub-threshold tariffs**

- (a) No later than four months before the start of a *regulatory year* (other than the first *regulatory year* of a *regulatory control period*), a *Distribution Network Service Provider* may notify the *AER*, affected *retailers* and *Market Small Generation Aggregators* and affected *retail customers* of a new proposed tariff (a **relevant tariff**) that is determined otherwise than in accordance with the *Distribution Network Service Provider's* current *tariff structure statement*, if both of the following are satisfied:
- (1) the *Distribution Network Service Provider's* forecast revenue from the relevant tariff during each *regulatory year* in which the tariff is to apply is no greater than 0.5 per cent of the *Distribution Network Service Provider's* annual revenue requirement for that *regulatory year* (the **individual threshold**); and
  - (2) the *Distribution Network Service Provider's* forecast revenue from the relevant tariff, as well as from all other relevant tariffs, during each *regulatory year* in which those tariffs are to apply is no greater than one per cent of the *Distribution Network Service Provider's* annual revenue requirement for that *regulatory year* (the **cumulative threshold**).

- (b) Notwithstanding any other provision in the *Rules* to the contrary, a relevant tariff notified by the *Distribution Network Service Provider* in accordance with paragraph (a) is, for the remainder of the *regulatory control period* in which the notification is given:
- (1) not required to comply with the *pricing principles for direct control services*; and
  - (2) for the purposes of the submission and approval of a *pricing proposal*, deemed to comply with the *Distribution Network Service Provider's* current *tariff structure statement*,
- unless, at any point in time after the notification of the relevant tariff is given under paragraph (a) (the **post-notification point**), either the individual threshold or the cumulative threshold (in each case calculated using actual rather than forecast revenue) are exceeded by virtue of the amount of revenue that is attributable to the relevant tariff, in which case sub-paragraphs (1) and (2) cease to apply to the relevant tariff in relation to the *regulatory years* that commence after the post-notification point.
- (c) Where sub-paragraphs (b)(1) and (2) cease to apply to a relevant tariff in accordance with paragraph (b), then sub-paragraphs (b)(1) and (2) will be taken to continue to apply to other relevant tariffs that were notified before the post-notification point, but only to the extent that those sub-paragraphs would apply if the first-mentioned relevant tariff were not a relevant tariff.

#### 6.18.4 Principles governing assignment or re-assignment of retail customers to tariff classes and assessment and review of basis of charging

- (a) In formulating provisions of a distribution determination governing the assignment of *retail customers* to *tariff classes* or the re-assignment of *retail customers* from one *tariff class* to another, the *AER* must have regard to the following principles:
- (1) *retail customers* should be assigned to *tariff classes* on the basis of one or more of the following factors:
    - (i) the nature and extent of their usage of *distribution services*;
    - (ii) the nature of their *connection* to the *network*;
    - (iii) whether remotely-read interval metering or other similar metering technology has been installed at the *retail customer's* premises as a result of a *regulatory obligation or requirement*;
  - (2) *retail customers* with a similar *connection* and *distribution service* usage profile should be treated on an equal basis;
  - (3) ~~[deleted] however, retail customers with micro-generation facilities should be treated no less favourably than retail customers without such facilities but with a similar load profile;~~
  - (4) a *Distribution Network Service Provider's* decision to assign a customer to a particular *tariff class*, or to re-assign a customer from one *tariff*

*class* to another should be subject to an effective system of assessment and review.

**Note:**

If (for example) a customer is assigned (or reassigned) to a *tariff class* on the basis of the customer's actual or assumed *maximum demand*, the system of assessment and review should allow for the reassignment of a customer who demonstrates a reduction or increase in *maximum demand* to a *tariff class* that is more appropriate to the customer's *load profile*.

- (b) If the *charging parameters* for a particular tariff result in a basis of charge that varies according to the *distribution service* usage ~~profile or load profile~~ of the customer, a distribution determination must contain provisions for an effective system of assessment and review of the basis on which a customer is charged.

### 6.18.5 Pricing principles

#### Network pricing objective

- (a) The *network pricing objective* is that the tariffs that a *Distribution Network Service Provider* charges in respect of its provision of *direct control services* to a *retail customer* should reflect the *Distribution Network Service Provider's* efficient costs of providing those services to the *retail customer*.

**Note:**

Charges in respect of the provision of *direct control services* may reflect efficient negative costs.

#### Application of the pricing principles

- (b) Subject to paragraph (c), a *Distribution Network Service Provider's* tariffs must comply with the pricing principles set out in paragraphs (e) to (j).
- (c) A *Distribution Network Service Provider's* tariffs may vary from tariffs which would result from complying with the pricing principles set out in paragraphs (e) to (g) only:
- (1) to the extent permitted under paragraph (h); and
  - (2) to the extent necessary to give effect to the pricing principles set out in paragraphs (i) to (j).
- (d) A *Distribution Network Service Provider* must comply with paragraph (b) in a manner that will contribute to the achievement of the *network pricing objective*.

#### Pricing principles

- (e) For each *tariff class*, the revenue expected to be recovered must lie on or between:
- (1) an upper bound representing the stand alone cost of serving the *retail customers* who belong to that class; and
  - (2) a lower bound representing the avoidable cost of not serving those *retail customers*.
- (f) Each tariff must be based on the *long run marginal cost* of providing the service to which it relates to the *retail customers* assigned to that tariff with

the method of calculating such cost and the manner in which that method is applied to be determined having regard to:

- (1) the costs and benefits associated with calculating, implementing and applying that method as proposed;
  - (2) the additional costs likely to be associated with meeting demand from *retail customers* that are assigned to that tariff at times of greatest utilisation of the relevant service part of the distribution network; and
  - (3) the location of *retail customers* that are assigned to that tariff and the extent to which costs vary between different locations in the *distribution network*.
- (g) The revenue expected to be recovered from each tariff must:
- (1) reflect the *Distribution Network Service Provider's* total efficient costs of serving the *retail customers* that are assigned to that tariff;
  - (2) when summed with the revenue expected to be received from all other tariffs, permit the *Distribution Network Service Provider* to recover the expected revenue for the relevant services in accordance with the applicable distribution determination for the *Distribution Network Service Provider*; and
  - (3) comply with sub-paragraphs (1) and (2) in a way that minimises distortions to the price signals for efficient usage of the relevant service that would result from tariffs that comply with the pricing principle set out in paragraph (f).
- (h) A *Distribution Network Service Provider* must consider the impact on *retail customers* of changes in tariffs from the previous *regulatory year* and may vary tariffs from those that comply with paragraphs (e) to (g) to the extent the *Distribution Network Service Provider* considers reasonably necessary having regard to:
- (1) the desirability for tariffs to comply with the pricing principles referred to in paragraphs (f) and (g), albeit after a reasonable period of transition (which may extend over more than one *regulatory control period*);
  - (2) the extent to which *retail customers* can choose the tariff to which they are assigned; and
  - (3) the extent to which *retail customers* are able to mitigate the impact of changes in tariffs through their usage decisions about usage of services.
- (i) The structure of each tariff must be reasonably capable of being understood by *retail customers* that are or may be assigned to that tariff (including in relation to how usage decisions or controls may affect the amounts paid by those customers) or of being directly or indirectly incorporated by *retailers* or *Market Small Generation Aggregators* in contract terms offered to those customers, having regard to information available to the Distribution Network Service Provider, which may include:
- (1) the type and nature of those *retail customers*; ~~and~~

- (2) the information provided to, and the consultation undertaken with, those *retail customers*; and
  - (3) the information provided by, and consultation undertaken with, *retailers or Market Small Generation Aggregators*.
- (j) A tariff must comply with the *Rules* and all *applicable regulatory instruments*.

## Part J Billing and Settlements

### 6.20 Billing and Settlements Process

This clause describes the manner in which *Distribution Customers* and *Embedded Generators* are billed by *Distribution Network Service Providers* for *distribution services* and how payments for *distribution services* are settled.

#### 6.20.1 Billing for distribution services

- (a) A *Distribution Network Service Provider* must bill *Distribution Network Users* for *distribution services* as follows:
- (1) *Embedded Generators*:
    - (i) by applying the charge for *entry service* as a fixed annual charge to each *Embedded Generator*; and
    - (ii) by applying any other charge the *Distribution Network Service Provider* makes consistently with the *Rules* and the applicable distribution determination.
  - (2) *Distribution Customers*:
 

The charges to *Distribution Customers* must be determined according to use of the *distribution network* as determined in accordance with a *metrology procedure* or, in the absence of a *metrology procedure* allowing such a determination to be made, by *meter* or by agreement between the *Distribution Customer* and the *Distribution Network Service Provider* by applying one or more of the following measures:

    - (i) demand-based prices to the *Distribution Customer's* metered or agreed half-hourly demand for *distribution services*;
    - (ii) energy-based prices to the *Distribution Customer's* metered or agreed energy consumption or export;
    - (iii) the *Distribution Customer* charge determined under this clause as a fixed periodic charge to each *Distribution Customer*;
    - (iv) a fixed periodic charge, a prepayment or other charge determined by agreement with the *Distribution Customer*;
    - (v) any other measure the *Distribution Network Service Provider* is authorised to apply by the applicable distribution determination.
- (b) Subject to paragraph (c), where a *Distribution Customer* (other than a *Market Customer* or *Market Small Generation Aggregator*) incurs *distribution service* charges, the *Distribution Network Service Provider* must bill the

*Market Customer* or *Market Small Generation Aggregator* from or to whom the *Distribution Customer* purchases or sells electricity directly or indirectly for such *distribution services* in accordance with paragraph (a)(2).

- (c) If a *Distribution Customer* and the *Market Customer* or *Market Small Generation Aggregator* from or to whom it purchases or sells electricity agree, the *Distribution Network Service Provider* may bill the *Distribution Customer* directly for *distribution services* used by that *Distribution Customer* in accordance with paragraph (a)(2).

- (d) *Distribution Network Service Providers* must:

- (1) calculate *transmission service charges* and *distribution service charges* for all *connection points* in their *distribution network*; and
- (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*.

- (e) Charges for *distribution services* based on metered kW, kWh, kVA, or kVAh for:

- (1) *Embedded Generators* that are *Market Generators*; and
- (2) *Market Customer* and *Market Small Generation Aggregators*; and
- (3) *Second-Tier Customers*;

must be calculated by the *Distribution Network Service Provider* from:

- (4) *settlements ready data* obtained from AEMO's *metering database*, for those *Embedded Generators*, *Market Customers* and *Second-Tier Customers* with *connection points* that have a type 1, 2, 3 or 4 *metering installation*; and
- (5) *metering data*, in accordance with a *metrology procedure* that allows the *Distribution Network Service Provider* to use *energy data* for this purpose, or otherwise *settlements ready data* obtained from AEMO's *metering database*, for those *Embedded Generators*, *Market Small Generation Aggregators*, *Market Customers* and *Second-Tier Customers* with *connection points* that have a type 4A, 5, 6 or 7 *metering installation*.

- (f) Charges for *distribution services* based on metered kW, kWh, kVA or kVAh for:

- (1) *Embedded Generators* that are not *Market Generators*; and
- (2) *Non-Registered Customers*; and
- (3) *franchise customers*,

must be calculated by the *Distribution Network Service Provider* using data that is consistent with the *metering data* used by the relevant *Local Retailer* in determining *energy settlements*.

- (g) The *Distribution Network Service Provider* may bill the relevant *Local Retailer* for *distribution services* used by *Non-Registered Customers* and *franchise customers*.

- (h) Where the billing for a *Distribution Customer* for a particular *financial year* is based on quantities which are undefined until after the commencement of the *financial year*, charges must be estimated from the previous year's billing quantities with a reconciliation to be made when the actual billing quantities are known.
- (i) Where the previous year's billing quantities are unavailable or no longer suitable, nominated quantities may be used as agreed between the parties.

## **Part L Dispute resolution**

### **6.22 Dispute Resolution**

#### **6.22.2 Determination of dispute**

- (a) In determining an access dispute about *terms and conditions of access* to a *direct control service*, the *AER* must apply:
  - (1) in relation to price, the *Distribution Network Service Provider's approved pricing proposal* and the *Distribution Network Service Provider's tariff structure statement* or, in respect of the *Distribution Network Service Provider's transmission standard control services* in respect of which the *AER* has made a determination under clause 6.25(b) that pricing in respect of those services should be regulated under Part J of Chapter 6A through the application of rule 6.26, the *Distribution Network Service Provider's approved pricing methodology*;
  - (2) in relation to other terms and conditions, Chapters 4, 5, this Chapter 6 and Chapter 7 and any other *applicable regulatory instrument*; and
  - (3) in relation to all *terms and conditions of access* (including price) the decisions of *AEMO* or the *AER* where those decisions relate to those terms and conditions and are made under Chapters 4, 5, this Chapter 6 and Chapter 7.
- (b) In determining an access dispute about the *terms and conditions of access* to a *direct control service*, the *AER* may:
  - (1) have regard to other matters the *AER* considers relevant; and
  - (2) hear evidence or receive submissions from *AEMO* about *power system security* and from *Distribution Network Users* who may be adversely affected.

**Note:**

Section 130 of the Law requires the *AER*, in making an access determination, to give effect to a network revenue or pricing determination applicable to the services that are the subject of the dispute even though the determination may not have been in force when the dispute arose.

- (c) In determining an access dispute about *terms and conditions of access* to a *negotiated distribution service*, the *AER* must apply:

- (1) in relation to price (including *access charges*), the *Negotiated Distribution Service Criteria* that are applicable to the dispute in accordance with the relevant distribution determination; and
- (2) in relation to other terms and conditions, the *Negotiated Distribution Service Criteria* that are applicable to the dispute and Chapters 4, 5, this Chapter 6 and Chapter 7 of the *Rules*; and
- (3) in relation to all *terms and conditions of access* (including price) the decisions of *AEMO* or the *AER* where those decisions relate to those terms and conditions and are made under Chapters 4, 5, this Chapter 6 and Chapter 7 of the *Rules*;

and must have regard:

- (4) to the relevant *negotiating framework* prepared by the *Distribution Network Service Provider* and approved by the *AER*.
- (d) In determining an access dispute about the *terms and conditions of access* to a *negotiated distribution service*, the *AER* may:
- (1) have regard to other matters the *AER* considers relevant; and
  - (2) hear evidence or receive submissions from *AEMO* and *Distribution Network Users* notified and consulted under the *Distribution Network Service Provider's negotiating framework*.
- (e) In determining an access dispute about *access charges*, or involving *access charges*, the *AER* must give effect to the following principle:

*Access charges* should be based on the costs reasonably incurred by the *Distribution Network Service Provider* in providing *distribution network user access* and, where they consist of compensation referred to in clause ~~5.3AA(f)(4)(ii) and (iii)~~5.5(f)(4)(ii) and (iii), on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs.

## 6B. Retail markets

### Part A Retail support

#### Division 1 Application and definitions

##### 6B.A1.1 Application of this Part

This Part:

- (a) applies to a *Distribution Network Service Provider* and a retailer or a Market Small Generation Aggregator who have *shared customers*; and
- (b) applies to the exclusion of Part J of Chapter 6 to a *Market Customer* who is a retailer or a Market Small Generation Aggregator; and
- (c) prevails over any inconsistent provisions in a distribution determination.

##### 6B.A1.2 Definitions

In this Part (other than this Division 1):

**customer connection service** has the same meaning as in the *NERL*.

**date of issue** of a *statement of charges* means the date on which the *Distribution Network Service Provider* sends the statement to the retailer or a Market Small Generation Aggregator.

**default rate** means the *bank bill rate* (as in force from time to time) plus two percentage points per annum.

**due date for payment** means 10 *business days* from the *date of issue* specified on a *statement of charges*.

**network charges** means charges that a *Distribution Network Service Provider* is entitled to claim for *customer connection services* in respect of *shared customers* under the *Rules*.

**retail billing period** means a calendar month or any other period agreed between a *Distribution Network Service Provider* and a retailer or a Market Small Generation Aggregator.

**retailer** includes a Market Small Generation Aggregator.

**shared customer**:

- (a) in relation to a Distribution Network Service Provider and a retailer, has the same meaning as in the *NERL*; and
- (b) in relation to a Distribution Network Service Provider and a Market Small Generation Aggregator, means a person who is an *MSGA customer* of the *Market Small Generation Aggregator* and whose *small generating unit* is connected to the distributor's distribution system.

**statement of charges** —see clause 6B.A2.4.

## Division 2            Billing and payment rules

### 6B.A2.2 Direct customer billing and energy-only contracts

- (a) Where a *Distribution Network Service Provider* and a *shared customer* agree that the *customer* will be responsible for paying *network charges* directly to the *Distribution Network Service Provider* (a **direct billing arrangement**), the *Distribution Network Service Provider* may issue a bill to that *customer* for any or all of the *customer connection services* provided to that *customer's* premises.
- (b) The *Distribution Network Service Provider* must notify the *retailer* of the *direct* billing arrangement as soon as reasonably practicable after commencement of the agreement.
- (c) A *retailer* has no liability to pay *network charges* that have been, or are to be, billed to the *shared customer* under a *direct* billing arrangement.
- (d) Where a *retailer* and a *shared customer* enter into a contract for the sale or purchase of electricity only, the *retailer* must notify the relevant *Distribution Network Service Provider* as soon as reasonably practicable after commencement of the contract.

### 6B.A3.2 Tariff reassignment

- (a) A *retailer*:
  - (1) must, if a *shared customer* informs the *retailer* of a change ~~in use of electricity consumption at the customer's premises~~ as a result of which the *retailer* reasonably considers that the existing tariff applying to the *customer* should no longer apply; and
  - (2) may, for any other reason, but not more than once in any 12 *month* period in respect of the same premises,  
request the *Distribution Network Service Provider* to review the tariff to which the *customer* is assigned.
- (b) The request is to include:
  - (1) the reasons for the request; and
  - (2) any relevant information provided by the *customer*; and
  - (3) the tariff proposed by the *retailer*.
- (c) On receipt of the request, the *Distribution Network Service Provider* must decide whether the tariff should be changed.
- (d) The *Distribution Network Service Provider* must inform the *retailer* of its decision and, if the decision is not to change the tariff or to assign a tariff other than that proposed by the *retailer*, the *Distribution Network Service Provider* must also inform the *retailer* of its reasons for the decision.
- (e) If the *Distribution Network Service Provider* decides to change the tariff, it must make the *change* in accordance with:
  - (1) the requirements of the *NERL* and the *NERR*;

- (2) any provisions of the *Distribution Network Service Provider's* distribution determination governing the assignment or re-assignment of *retail customers* to tariffs; and

**Note:**

See clause 6.18.4.

- (3) the *Rules* and the *Retail Market Procedures*.

## 7. Metering

### Part C Appointment of Metering Coordinator

#### 7.6 Appointment of Metering Coordinator

##### 7.6.2 Persons who may appoint Metering Coordinators

- (a) A *Metering Coordinator* may only be appointed:
- (1) with respect to a *connection point* or proposed *connection point* on a *transmission network*, by the *Market Participant* which is *financially responsible* at the *connection point*;
  - (2) with respect to a *connection point* (other than the *connection point* of a ~~*small customer or large customer*~~*retail customer*) that connects, or is proposed to connect, a *generating system* to a *distribution network*, by:
    - (i) the *Market Participant* which is *financially responsible* at the *connection point*;
    - (ii) a *Non-Market Generator* who owns, controls or operates the *generating system* that is connected to the *distribution network* at the *connection point*; or
    - (iii) a person who owns, controls or operates the *generating system* that is connected to the *distribution network* at the *connection point* and is exempt from the requirement to register as a *Generator* under clause 2.2.1(c); and
  - (3) with respect to any other *connection point*, by:
    - (i) the *Market Participant* which is *financially responsible* at the *connection point*; or
    - (ii) the *large customer* whose premises are supplied at the *connection point*.
- (b) A person making an appointment under paragraph (a) must do so in accordance with the *Rules* and procedures authorised under the *Rules*.
- (c) The *Market Settlement and Transfer Solution Procedures* must specify that a *Metering Coordinator* at a *connection point* is responsible for the *metering installation*:
- (1) where the change in the *Metering Coordinator* at a *connection point* is effected due to a change in the *financially responsible Market Participant* at that *connection point*, on the day that the *market load* at the *connection point* transfers to the new *financially responsible Market Participant*; and
  - (2) otherwise, on any other day.

## Part D Metering installation

### 7.8 Metering installation arrangements

#### 7.8.10 Metering installation malfunctions

- (a) Unless an exemption is obtained by the *Metering Coordinator* from *AEMO* under this clause 7.8.10, the *Metering Coordinator* must, if a *metering installation malfunction* occurs, cause repairs to be made to the *metering installation* as soon as practicable but no later than the following date (as applicable):
- (1) for a type 1, 2 or 3 *metering installation*, 2 *business days* after the *Metering Coordinator* has been notified of the *metering installation malfunction*; or
  - (2) for a *metering installation* at a *small customer's* premises:
    - (i) subject to subparagraph (ii), 15 *business days* after the *Metering Coordinator* has been notified of the *metering installation malfunction*; or
    - (ii) where the *Metering Coordinator* has become aware that repairing the *metering installation* requires interrupting *supply* to another *small customer or large customer*~~retail customer~~, 30 *business days* after the *Metering Coordinator* has become aware of the need for that interruption; or
  - (3) for a *metering installation* other than the installations referred to in subparagraphs (1) and (2):
    - (i) subject to subparagraph (ii), 10 *business days* after the *Metering Coordinator* has been notified of the *metering installation malfunction*; or
    - (ii) where the *Metering Coordinator* has become aware that repairing the *metering installation* requires interrupting *supply* to another *small customer or large customer*~~retail customer~~, 30 *business days* after the *Metering Coordinator* has become aware of the need for that interruption.

#### Note

For the application of this clause 7.8.10(a) to type 5 or 6 *metering installations*, where the *Local Network Service Provider* is the *Metering Coordinator*, see clause 11.86.7.

#### Note

This clause is classified as a civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

- (b) *AEMO* must establish, maintain and *publish* a procedure applicable to the provision of exemptions for the purpose of paragraph (a).
- (c) If an exemption is provided by *AEMO* under this clause 7.8.10 then the *Metering Provider* must provide *AEMO* with a plan for the rectification of the *metering installation*.

**Note**

This clause is classified as a civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

- (d) A *Registered Participant, Metering Provider or Metering Data Provider* who becomes aware of a *metering installation malfunction* of a *metering installation* that cannot be rectified within the applicable timeframes as specified in paragraph (a) must notify the *Metering Coordinator* of the *metering installation malfunction* within 1 *business day*.

**Note**

This clause is classified as a civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

## 8. Administrative Functions

### Part J Customer export curtailment values

#### 8.13 Development of methodology and publication of values

(a) For the purposes of this rule 8.13:

**customer export** means *supply to a distribution network of electricity generated by a micro embedded generator or non-registered embedded generator.*

**customer export curtailment** means *reducing, tripping or otherwise limiting customer export.*

**jurisdictional regulator** has the meaning in clause 8.12(a).

**CECV methodology** has the meaning given in clause 8.13(b).

**CECV objective** is that the CECV methodology and customer export curtailment values should be fit for purpose for any current or potential uses of customer export curtailment values that the AER considers to be relevant.

(b) The AER must, in accordance with the *Rules consultation procedures*:

(1) *develop a methodology to be used by the AER to calculate customer export curtailment values (CECV methodology) each year; and*

(2) *review and update the CECV methodology in accordance with paragraph (f).*

(c) Notwithstanding paragraph (b), the AER may make minor and administrative amendments to the CECV methodology without complying with the *Rules consultation procedures*.

(d) The AER must *publish* and maintain on its website:

(1) *the CECV methodology promptly after it has been developed or updated; and*

(2) *each year, the customer export curtailment values determined in accordance with the CECV methodology.*

(e) The AER must ensure that the CECV methodology developed under paragraph (b), and any customer export curtailment values calculated in accordance with that methodology, are consistent with the CECV objective.

(f) The AER must, at least once every five years, review the CECV methodology and following such review, *publish* either:

(1) *an updated CECV methodology; or*

(2) *a notice stating that the existing CECV methodology was not varied as a result of the review.*

(g) For the purpose of complying with the *Rules consultation procedures* under paragraph (b), the AER must consult with:

(1) *AEMO;*

(2) *each jurisdictional regulator;*

(3) *Registered Participants; and*

(4) *such other persons who, in the AER's reasonable opinion, have, or have identified themselves to the AER as having, an interest in the CECV methodology and customer export curtailment values.*

## 10. Glossary

### *billed but unpaid charges*

For a *Distribution Network Service Provider*, *network charges* that have been billed to a *failed retailer* or a failed Market Small Generation Aggregator by the *Distribution Network Service Provider*, but that the *failed retailer* or failed Market Small Generation Aggregator has not yet paid (whether before or after the relevant due date for payment).

### *distribution network user access*

The *power transfer capability* of the *distribution network* in respect of:

- (a) *generating units* or a group of *generating units*; and
- (b) *network elements*,

at a *connection point* which has been negotiated in accordance with rule 5.3A~~rule 5.5~~.

### *distribution service end user*

An electricity consumer, *micro-embedded generator* or *non-registered embedded generator* (other than a *non-registered embedded generator* who has made an election under clause 5A.A.2(c) for *connection* under Chapter 5).

### *embedded generating unit*

A *generating unit* connected within a *distribution system*~~*distribution network*~~ and not having direct access to the *transmission network*.

### *embedded generating unit operator*

A person that owns, controls or operates an *embedded generating unit*.

### *Embedded Generator*

A *Generator* who owns, operates or controls an *embedded generating unit*.

#### **Note:**

~~In the context of Chapter 5A, the above definition has been displaced by the definition "embedded generator" specifically applicable to that Chapter. See clause 5A.A.1.~~

### *export tariff*

A tariff for *distribution services* relating to the transfer of electricity generated by a *distribution service end user* into a *distribution network*, excluding charges for the provision of connection services (as defined in Chapter 5A).

### *Export Tariff Guidelines*

Guidelines made by the *AER* under clause 6.8.1B.

### *export tariff transition strategy*

The strategy in a *tariff structure statement* of a *Distribution Network Service Provider* referred to in clause 6.18.1A(a)(2A).

### *failed Market Small Generation Aggregator*

A *Market Small Generation Aggregator* in respect of whom an *insolvency official* has been appointed.

**Generator**

A person who engages in the activity of owning, controlling or operating a *generating system* that is *connected* to, or who otherwise *supplies* electricity to, a *transmission system* or *distribution system* and who is registered by AEMO as a *Generator* under Chapter 2.

For the purposes of Chapter 5, the term includes a person who is required or intends to register in that capacity or is a *non-registered embedded generator* ~~non-registered embedded generator (as defined in clause 5A.A.1)~~ who has made an election under clause 5A.A.2(c).

**micro EG connection**

Has ~~(in the context of Chapter 5A)~~ the meaning given in clause 5A.A.1

**micro embedded generator**

*A small customer, large customer or MSGA customer who operates, or proposes to operate, an embedded generating unit for which a micro EG connection is appropriate.* ~~Has (in the context of Chapter 5A) the meaning given in clause 5A.A.1~~

**MSGA customer**

Has the meaning given in clause 5A.A.1.

**network**

The apparatus, equipment, plant and buildings used to convey, and control the conveyance of, electricity ~~to customers (whether wholesale or retail)~~ excluding any *connection assets*. In relation to a *Network Service Provider*, a *network* owned, operated or controlled by that *Network Service Provider*.

**non-registered embedded generator**

*An embedded generating unit operator that is neither a micro embedded generator nor a Registered Participant.*

~~In the context of clause 6.7A, has the meaning given in chapter 5A.~~

***retail customer***

~~*A small customer or a large customer.*~~

**Note:**

~~In the context of Chapter 5A, the above definition has been supplemented by a definition specifically applicable to that Chapter. See clause 5A.A.1.~~

**retail customer**

A person who is one or more of the following:

- (a) a small customer;
- (b) a large customer;
- (c) a micro-embedded generator; or
- (d) a non-registered embedded generator, other than a non-registered embedded generator who has made an election under clause 5A.A.2(c) for connection under Chapter 5.

### ***Retail Market Procedures***

Procedures made under the *Rules* for or in *connection* with the sale and *supply* of electricity to *retail customers*, export of electricity by retail customers or the operation of retail electricity *markets* including:

- (a) *B2B procedures*; and
- (b) the *Market Settlement and Transfer Solution Procedures*; and
- (c) the *metrology procedures*; and
- (d) other procedures dealing with, or incidental to, the retail sale or *supply* of electricity or related services.

### ***retailer insolvency costs***

For a *Distribution Network Service Provider*:

- (a) *billed but unpaid charges*;
- (b) the actual amount of unbilled *network charges* accrued by a *failed retailer* or failed Market Small Generation Aggregator; and
- (c) other costs that the *Distribution Network Service Provider* has incurred or is likely to incur as a result of a *retailer insolvency event*.

### ***retailer insolvency event***

The failure of a *retailer* or a Market Small Generation Aggregator during a *regulatory control period*, to pay a *Distribution Network Service Provider* an amount to which the service provider is entitled for the provision of *direct control services*, if:

- (a) an *insolvency official* has been appointed in respect of that *retailer* or Market Small Generation Aggregator; and
- (b) the *Distribution Network Service Provider* is not entitled to payment of that amount in full under the terms of any *credit support* provided in respect of that *retailer* or Market Small Generation Aggregator.

### ***Voter Category***

Means:

- (a) in respect of the *Distribution Network Service Provider Member*, *Distribution Network Service Providers*;
- (b) in respect of the *Retailer Member*, *Retailer Member Voters*, collectively;
- (c) in respect of the *Metering Member*, *Metering Member Voters*, collectively; and
- (d) in respect of the *Third Party B2B Participant Member*, *Third Party B2B Participants*.

## 11. Savings and Transitional Rules

### Part [XXX] Access, pricing and incentive arrangements for distributed energy resources

#### 11.[xxx] Rules consequential on the making of the National Electricity Amendment (Access, pricing and incentive arrangements for distributed energy resources) Rule 2021

##### 11.[xxx].1 Definitions

- (a) In this rule 11.[xxx]:

**Amending Rule** means the *National Electricity Amendment (Access, pricing and incentive arrangements for distributed energy resources) Rule 2021*.

**CECV effective date** means the date of commencement of Schedule 2 of the Amending Rule.

**commencement date** means the date of commencement of Schedules 1 and 3 of the Amending Rule.

**new clauses S5.8(1)(3) and (4)** means clauses S5.8(1)(3) and (4) as in force on and from the commencement date.

**new rule 8.13** means rule 8.13 as in force on and from the CECV effective date.

- (b) Italicised terms used in this rule 11.[xxx] have the same meaning as in Chapter 10 as in force on and from the commencement date.

##### 11.[xxx].2 Amendments to AER documents

- (a) By 1 July 2022 the *AER* must review and where the *AER* considers it necessary or desirable amend and *publish* the following documents to take into account the Amending Rule:

- (1) the *Expenditure Forecast Assessment Guidelines*;
- (2) the *Distribution Service Classification Guidelines*; and
- (3) the *Cost Allocation Guidelines*.

- (b) By 1 July 2023 the *AER* must review and where the *AER* considers it necessary or desirable amend and *publish* the following documents to take into account the Amending Rule:

- (1) the *Distribution Reliability Measures Guidelines*;
- (2) the *demand management incentive scheme*; and
- (3) the *demand management innovation allowance mechanism*.

- (c) In reviewing and where applicable amending the *Expenditure Forecast Assessment Guidelines*, the *AER* must have regard to the need for different approaches for different classes of *retail customers*.

- (d) Amendments made in accordance with paragraph (a) or (b) must take effect on and from the applicable date specified in paragraph (a) or (b) or any earlier

time specified by the *AER*.

### **11.[xxx].3 Performance incentive schemes for export services**

- (a) The *AER* must undertake a review to consider arrangements (which may include a *service target performance incentive scheme*) to provide incentives for *Distribution Network Service Providers* to maintain and improve performance in relation to *network services* provided to *retail customers* for supply from *embedded generating units* to the *distribution network*.
- (b) The *AER* must *publish* its report on the outcome of its review under paragraph (a) by 31 December 2022 and must include in the report its recommendations for incentive arrangements.
- (c) In conducting the review under paragraph (a), the *AER* must consult in the manner the *AER* considers appropriate.

### **11.[xxx].4 Initial Export Tariff Guidelines**

- (a) By 1 July 2022, the *AER* must develop and *publish* the initial *Export Tariff Guidelines*.
- (b) The *AER* must comply with the *distribution consultation procedures* when preparing the initial *Export Tariff Guidelines* under paragraph (a).

### **11.[xxx].5 Annual benchmarking report**

- (a) The *AER* must consult in accordance with the *distribution consultation procedures* about how the *AER* will take into account the Amending Rule in the *AER's annual benchmarking reports* under rule 6.27.
- (b) By 1 July 2022, the *AER* must publish a report on the consultation conducted in accordance with paragraph (a) which must include guidance about the *AER's* proposed approach.

### **11.[xxx].6 Initial CECV methodology**

- (a) By 1 July 2022, the *AER* must:
  - (1) develop and *publish* the initial CECV methodology under new rule 8.13; and
  - (2) determine and *publish* the initial customer export curtailment values calculated in accordance with the CECV methodology.
- (b) The *AER* must comply with the *Rules consultation procedures* when preparing the initial CECV methodology under paragraph (a).

### **11.[xxx].7 Sub-threshold tariffs**

- (a) This clause applies in relation to a *Distribution Network Service Provider* in relation to each *regulatory year* in the following *regulatory control periods* of the *Distribution Network Service Provider*:
  - (1) the *regulatory control period* in which the commencement date occurs; and
  - (2) the *regulatory control period* immediately following the *regulatory*

*control period* in which the commencement date occurs.

- (b) Where in accordance with paragraph (a) this clause applies in relation to a *Distribution Network Service Provider* and *regulatory year*:
  - (1) for the purposes of calculating the individual threshold for the *Distribution Network Service Provider* for the *regulatory year* under clause 6.18.1C(a)(1), the clause will apply as if ‘0.5 per cent’ had been omitted and ‘1 per cent’ inserted in its place; and
  - (2) for the purposes of calculating the cumulative threshold for the *Distribution Network Service Provider* for the *regulatory year* under clause 6.18.1C(a)(2), the clause will apply as if ‘one per cent’ had been omitted and ‘five per cent’ inserted in its place.

### **11.[xxx].8 Retail Market Procedures**

- (a) By 1 July 2022 *AEMO* must review and where *AEMO* considers it necessary or desirable propose amendments to the *Retail Market Procedures* to take into account the Amending Rule.
- (b) Amendments made in accordance with paragraph (a) must where reasonably practical take effect on and from 1 July 2022.

### **11.[xxx].9 Distribution Annual Planning Report**

A *Distribution Network Service Provider* is not required to include the information in new clauses S5.8(1)(3) and (4) in a *Distribution Annual Planning Report* that has a *DAPR date* falling before the first anniversary of the commencement date.