

AEMC NATIONAL ELECTRICITY AMENDMENT (IMPROVING THE COST RECOVERY ARRANGEMENTS FOR TRANSMISSION NON-NETWORK OPTIONS) RULE - DRAFT DETERMINATION (ERC0391)

30 JANUARY 2025

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under the AEMC's National Electricity Amendment (Improving the Cost Recovery Arrangements for Transmission Non-Network Options) Rule - Draft Determination.

The EUAA is supportive of the Commission's work in aligning the framework for non-network options (NNOs) arising from a Regulatory Investment Test-Transmission (RIT-T) with the framework for network options, that is by providing an ex-ante review process and allowing TNSPs to receive reimbursement of the costs in the year that it was expended. This creates a more level playing field for NNO against traditional network options.

We were concerned that with the larger scale of NNO, and the likely higher frequency of implementation, there was the potential that TUOS charges to end consumers could be quite volatile year-on-year due to TNSP's carrying the costs for up to 2 years and then increasing TUOS to recover this at the start of the next regulatory period, which for a single large project will have little impact, however for multiple projects would make budgeting for energy costs even more difficult for large consumers.

We are in the messy middle of the transition, and we need to be strategic with rule changes to stay ahead of arising issues, rather than being reactive and creating pain for many while we await a rule change.

The EUAA is supportive of rule changes that create greater consistency across the NEM. We recognise that the Commission has done its best to align the NNO framework with those for capital expenditure through the RIT-T, and the System Security NNO framework, which is similar but different.

While we were supportive of the principle behind the original proposed rule change, we prefer the alternative rule change that the Commission proposes in its draft determination, including:

- The creation of the *AER Network Alternative Support Payment Guidelines* to provide details to TNSPs of how the rule change will be implemented.
 - The inclusion of eligibility criteria and thresholds for NNO projects that can use this new framework will be included in the Guidelines, which will prevent frivolous requests from TNSPs that should go through the existing AER network support passthrough mechanism.

- Aligning with the RIT-T process for capital expenditure, creating an ex-ante review process that TNSP's can apply to the AER to adjust network revenue support for NNO projects mid-regulatory control period, including a true-up each year;
- Similar to the System Security NNO framework, enabling TNSPs' to seek AER ex-ante approval of a 'methodology for how services are expected to be used and forecast costs over time and under an agreement between an NNO and the TNSP.
 - We are also supportive of the Commission's proposal for this not be a determination by the AER for future costs, but a determination that the methodology is consistent with the rule change and Guidelines, and costs will be subject to annual reviews to ensure that the contractual terms and costs borne by consumers stay relevant and effective, and are not a transfer of the commercial risk of the NNO to consumers.
- Not including DNSP's in the rule change at this stage as their current suite of projects are relatively small by comparison. We note however, that should DNSPs begin delivering large projects of similar financial impact to those the TNSPs are beginning to deliver, then the Commission should revisit this approach.

One of the challenges in developing this new rule is that NNO are usually considered operational expenditure (OPEX), while network options are usually capital expenditure (CAPEX). We consider that the Commission has done a good job of balancing the similarities and the differences between the two processes while keeping the Consumer's interests at heart.

In summary, we support the Commissions Draft Determination and consider that this new rule will provide TNSPs' greater ability to forecast and manage costs for NNO's, increasing initial cost recovery certainty, and removing volatility of TUOS charges for consumers before it occurs while providing a level playing field and therefore more certainty for NNOs.

Do not hesitate to be in contact should you have any questions.



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