



Murraylink
Transmission determination
2013–14 to 2017–18

April 2013

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Shortened forms

Shortened form	Full title
AER	Australian Energy Regulator
ABS	Australian Bureau of Statistics
AWOTE	Average weekly ordinary time earnings
Capex	capital expenditure
CAPM	capital asset pricing model
CGS	Commonwealth government securities
CPI	consumer price index
DRP	debt risk premium
MAR	maximum allowed revenue
MRP	market risk premium
NEL	National Electricity Rules
NEM	National Electricity Market
NEO	National Electricity Objective
NTSC	negotiating transmission service criteria
Opex	operating expenditure
PTRM	post tax revenue model
RAB	regulatory asset base
RBA	Reserve Bank of Australia
STPIS	service target performance incentive scheme
TNSP	transmission network service provider
WACC	weighted average cost of capital

Summary

Clause 6A.13.4 of the National Electricity Rules (NER) requires the Australian Energy Regulator (AER) to make a transmission determination for Murraylink. In accordance with clause 6A.2.2 of the NER, this transmission determination consists of:

- a revenue determination for Murraylink in respect of the provision of prescribed transmission services
- a determination relating to Murraylink's negotiating framework
- a determination that specifies the negotiated transmission service criteria that apply to Murraylink
- a determination that specifies the pricing methodology that applies to Murraylink.

Revenue determination

In accordance with clause 6A.4.2(a) of the NER, the AER has made a revenue determination specifying the following matters applicable to Murraylink for the 2013–18 regulatory control period:

- the method for calculating the total revenue cap and the amount of the estimated total revenue cap
- annual building block revenue requirement for each regulatory year of the regulatory control period
- the method of calculating the maximum allowed revenue (MAR) for each regulatory year of the regulatory control period
- the method for indexation of the regulatory asset base (RAB)
- performance incentive scheme parameter values
- efficiency benefit sharing scheme parameter values
- commencement and length of regulatory control period
- other amounts, values and inputs used by the AER.

Negotiating framework

The NER requires certain transmission services (negotiated transmission services) to be provided on terms and conditions of access that are negotiated between the transmission network service provider (TNSP) and the service applicant. Each TNSP is required to prepare a negotiating framework, which sets out the procedure to be followed during negotiations. The negotiating framework must comply, and be consistent, with:

- the applicable requirements of a transmission determination applying to the provider
- the minimum requirements for a negotiating framework, which are set out in clause 6A.9.5(c).

The document at part 2 of this transmission determination is the negotiating framework that the AER has determined will apply to Murraylink during the 2013–18 regulatory control period.

Murraylink may seek to amend or replace its negotiating framework only at the time of submitting its revenue proposal for the regulatory control period commencing 1 July 2018.

Negotiated transmission service criteria

Clause 6A.9.4 requires the AER to set out the criteria that apply to a TNSP in negotiating the provision of negotiated transmission services, specifically:

- the terms and conditions of access for negotiated transmission services, including the prices that are to be charged
- access charges that are negotiated by the provider during that regulatory control period.

The criteria must also be applied by a commercial arbitrator to resolve disputes about negotiated transmission services, specifically:

- the terms and conditions of access for the negotiated transmission service, including the price that is to be charged for the provision of that service by the TNSP
- access charges that are to be paid to, or by, the TNSP.

The AER has determined that the negotiated transmission service criteria at part 3 of this transmission determination apply to Murraylink for the 2013–18 regulatory control period.

Pricing methodology

The NER requires each TNSP to prepare a proposed pricing methodology. The pricing methodology must give effect to and be consistent with the pricing principles for prescribed transmission services, which are set out in rule 6A.23. It must also comply with the requirements of the AER's pricing methodology guidelines.

The document at part 4 of this transmission determination is the pricing methodology that the AER has determined will apply to Murraylink for the 2013–18 regulatory control period.

1 Revenue

Method for calculating total revenue cap

The value of Murraylink's total revenue cap will be the sum of its maximum allowed revenues for each year of the 2013–18 regulatory control period. The AER determines an estimated total revenue cap of \$67.5 million (\$ nominal) for Murraylink for the 2013–18 regulatory control period.

Murraylink's annual building block revenue requirement

The AER determines the annual building block revenue requirements for Murraylink as shown in Table 1.1.

Table 1.1 AER final determination on annual building block revenue requirements (\$ million, nominal)

	2013–14	2014–15	2015–16	2016–17	2017–18	Total
Return on capital	8.0	8.1	8.1	8.2	8.1	40.5
Regulatory depreciation	0.8	0.9	1.0	1.2	1.3	5.1
Operating expenditure	3.9	4.0	4.1	4.3	4.6	20.8
Efficiency benefit sharing scheme (carryover amounts)	0.0	0.0	0.0	0.0	0.0	0.0
Net tax allowance	0.2	0.2	0.2	0.3	0.3	1.2
Annual building block revenue requirement (unsmoothed)	12.9	13.2	13.5	13.9	14.3	67.7

Source: AER analysis.

Method of calculating Murraylink's maximum allowed revenue

The AER has determined that the method of calculating Murraylink's MAR for each year of the 2013–18 regulatory control period will be the sum of its allowed revenue (AR) for that year and adjustments arising from the AER's service target performance incentive scheme (STPIS) and any approved pass through amounts.

The AER determines Murraylink's AR for 2013–14 is \$13.2 million. The 2013–14 AR value may be adjusted for any service standards incentive rewards or penalties carried over from the 1 October 2003 to 30 June 2013 regulatory control period, as determined in accordance with the ACCC's 2003 revenue cap decision for Murraylink.

Murraylink's AR for subsequent years of the 2013–18 regulatory control period requires an annual adjustment based on the previous year's AR and is calculated using the CPI–X methodology:

$$AR_t = AR_{t-1} \times (1 + \Delta\text{CPI}) \times (1 - X_t)$$

where:

- AR = the allowed revenue
- t = time period/financial year (for $t = 2, 3, 4, 5$)
- ΔCPI = the annual percentage change in the ABS consumer price index (CPI) all groups, weighted average of eight capital cities from March in year $t - 2$ to March in year $t - 1$
- X = the smoothing factor of 1.2 per cent.

The MAR is determined annually by adding to (or deducting from) the AR, the STPIS revenue increment or decrement, and any approved pass through amounts in accordance with clauses 6A.7.2 and 6A.7.3.¹

$MAR_t =$ allowed revenue + performance incentive + pass through

$$= AR_t + \left(\frac{(AR_{t-1} + AR_{t-2}) \times S_{ct}}{2} \right) + P_t$$

where:

- MAR = the maximum allowed revenue
- AR = the allowed revenue
- S = the revenue increment or decrement determined in accordance with the service target performance incentive scheme
- P = the pass through amount that the AER has determined in accordance with clauses 6A.7.2 and 6A.7.3 of the NER
- t = time period/financial year (for $t = 2, 3, 4, 5$)
- ct = time period/calendar year (for $ct = 2, 3, 4, 5$).

Table 1.2 sets out the timing of the annual calculation of the AR and performance incentive.

¹ A TNSP must also adjust the Annual Service Revenue Requirement for under or over recovery amounts in accordance with clause 6A.23.3(c)(2)(iii).

Table 1.2 Timing of the calculation of allowed revenues and the performance incentive

<i>t</i>	Allowed revenue (financial year)	<i>ct</i>	Performance incentive (calendar year)
2	1 July 2014–30 June 2015	2	1 January 2013–31 December 2013
3	1 July 2015–30 June 2016	3	1 January 2014–31 December 2014
4	1 July 2016–30 June 2017	4	1 January 2015–31 December 2015
5	1 July 2017–30 June 2018	5	1 January 2016–31 December 2016

Based on this method, the AER's forecast of Murraylink's annual expected MAR for the 2013–18 regulatory control period (using a forecast CPI and without revenue increment or decrement in accordance with the STPIS and pass through amounts) is shown in Table 1.3.

Table 1.3 AER's forecast of the annual expected maximum allowance revenue for Murraylink (\$ million, nominal)

	2013–14	2014–15	2015–16	2016–17	2017–18	Total
MAR (smoothed)	13.2	13.3	13.5	13.7	13.8	67.5

Source: AER analysis.

Method for indexation of the regulatory asset base

The AER has determined that the method for indexing Murraylink's RAB for each year of the next regulatory control period will be the same as that used to escalate its AR for that relevant year—that is, to apply the annual percentage change in the most recently published Australian Bureau of Statistics' (ABS) CPI all groups, weighted average of eight capital cities. For Murraylink, this will be the March quarter CPI. This method will be used to roll forward Murraylink's RAB for the purposes of the AER's transmission revenue determination for the regulatory control period commencing on 1 July 2018.

Performance incentive scheme parameters

The AER has determined the values for the performance targets, caps, collars and weightings for each of the parameters for the service component and market impact component of the STPIS applicable to Murraylink for the 2013–18 regulatory control period. These are shown in table 1.4 and Table 1.5.

Table 1.4 Murraylink service component performance targets, caps, collars and weightings to apply for the 2013–18 regulatory control period

Service component parameters	Collar	Target	Cap	Weightings (per cent of MAR)
Planned circuit availability (per cent)	99.04	99.17	99.38	0.4
Forced peak circuit availability (per cent)	98.90	99.48	100.0	0.4
Forced off-peak circuit availability (per cent)	98.84	99.34	99.94	0.2

Source: AER analysis.

Table 1.5 Murraylink market impact component performance target, cap and weighting to apply for the 2013–18 regulatory control period

Market impact component parameter	Collar	Target	Cap	Weighting (per cent of MAR)
Market impact parameter (number of dispatch intervals)	n/a	782.3	0	2.0

Efficiency benefit sharing scheme parameters

Murraylink will be subject to the efficiency benefit sharing scheme (EBSS) in the 2013–18 regulatory period. The carryover period will be five years. The AER has determined values for the EBSS parameters that are to apply to Murraylink in the 2013–18 regulatory control period, subject to adjustments required by the EBSS. These values are set out in Table 1.6.

Table 1.6 AER forecast opex for EBSS purposes (\$ million, 2012–13)

	2013–14	2014–15	2015–16	2016–17	2017–18	Total
Forecast opex for EBSS purposes	2.7	2.7	2.7	2.7	2.9	13.8

Source: AER analysis.

Note: Forecast opex for EBSS purposes excludes forecast debt raising costs and connection charges as listed below.

The AER will not adjust the forecast opex used to calculate the EBSS carryover amounts for changes in demand over the 2013–18 regulatory control period.

The AER will exclude the following cost categories from the EBSS for calculating EBSS carryovers:

- debt raising costs
- connection charges.

Commencement and length of regulatory control period

The regulatory control period will be five years, commencing on 1 July 2013 and ending on 30 June 2018.

Other amounts, values and inputs

The AER has also determined the following values that could not be determined before the submission of the revenue proposal or were required to be estimated, approved or otherwise determined by the AER but were not so estimated, approved or otherwise determined before the submission of the revenue proposal. These are shown in table 1.7.

Table 1.7 Other amounts, values and inputs (per cent)

Parameter	Value
Nominal risk free rate	3.52
Inflation forecast	2.50
Debt risk premium	3.17
Effective tax rate	25.91
Cost of equity	8.72
Cost of debt	6.69
Nominal vanilla WACC	7.50

Source: AER analysis.

2 Negotiating framework



**Murraylink Transmission
Company Pty Ltd**

Negotiating Framework

**Effective
July 2013 to June 2018**

May 2012
Murraylink Negotiating Framework 2013 - 18.docx

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Purpose

Background

The purpose of this document is to define Murraylink's Negotiating Framework for the provision of Negotiated Transmission Services to Service Applicants ("Service Applicants") as required under the National Electricity Rules ("NER").

Clause 6A.9.5 of the NER provides that:

- Transmission Network Service Providers ("TNSPs") must prepare a document setting out the procedure to be followed during negotiations between that provider and any person who wishes to receive a Negotiated Transmission Service from the provider, as to the terms and conditions of access for the provision of the service;
- the negotiating framework must comply with and be consistent with the applicable requirements of a transmission determination applying to the provider; and
- the negotiating framework must comply with and be consistent with the applicable requirements of clause 6A.9.5(c), which sets out the minimum requirements for a negotiating framework

This document does not apply to Prescribed or Non-Regulated Transmission Services.

Murraylink is registered with the Australian Energy Market Operator as a Transmission Network Service Provider.

Negotiating Framework

This document is prepared to fulfil Murraylink's obligations under clause 6A.9.5 of the NER to establish a negotiating framework.

This document applies to Murraylink and any Service Applicant who applies to receive a Negotiated Transmission Service.

As defined in the *National Electricity Rules*¹ a Negotiated Transmission Service is any of the following Services:

- (a) a *shared transmission service* that:
 - (1) exceeds the *network* performance requirements (whether as to quality or quantity) (if any) as that *shared transmission service* is required to meet under any *jurisdictional electricity legislation*; or
 - (2) except to the extent that the network performance requirements which that *shared transmission service* is required to meet are

¹ *National Electricity Rules*, version 49, 05 April 2012, Chapter 10

prescribed under any *jurisdictional electricity legislation*, exceeds or does not meet the *network* performance requirements (whether as to quality or quantity) as are set out in schedule 5.1a or 5.1;

- (b) *connection services* that are provided to serve a *Transmission Network User* or group of *Transmission Network Users*, at a single *transmission network connection point*, other than *connection services* that are provided by one *Network Service Provider* to another *Network Service Provider* to connect their networks where neither of the *Network Service Providers* is a *Market Network Service Provider*; or
- (c) *use of system services* provided to a *Transmission Network User* and referred to in rule 5.4A(f)(3) in relation to *augmentations* or *extensions* required to be undertaken on a *transmission network* as described in rule 5.4A;

but does not include an *above-standard system shared transmission service* or a *market network service*.

Italicised terms are defined in the *National Electricity Rules*.

Scope and Context

The NER² provides that services that are not "negotiated" or not "prescribed" as defined in the Rules are expressly not subject to regulation under Chapter 6A. These services are therefore not subject to this Negotiating Framework.

This Negotiating Framework applies only to the provision of Negotiated Transmission Services.

Legislation and Standards

The following legislation and standards are applicable:

National Electricity Rules - Chapter 6A, 5 and 4

Competition and Consumer Act 2010

² NER clause 6A.1.1(j)

Negotiating Framework

1. Application Of Negotiating Framework

- 1.1 This negotiating framework applies to Murraylink and each Service Applicant who has made an application in writing to Murraylink for the provision of a Negotiated Transmission Service.
- 1.2 Murraylink and any Service Applicant who wishes to receive a Negotiated Transmission Service from Murraylink must comply with the requirements of this negotiating framework in accordance with Rule 6A.9.5 (e).
- 1.3 The requirements set out in this negotiating framework are additional to any requirements or obligations contained in Chapters 4, 5 and 6A of the NER. In the event of any inconsistency between this negotiating framework and any other requirements in the NER, the requirements of the NER will prevail.
- 1.4 Nothing in this negotiating framework or in the NER will be taken as imposing an obligation on Murraylink to provide any service to the Service Applicant.

2. Obligation To Negotiate in Good Faith

- 2.1 Murraylink and the Service Applicant should negotiate in good faith the terms and conditions of access for the provision by Murraylink of the Negotiated Transmission Service, sought by the Service Applicant.

3. Timeframes for Commencing, Progressing and Finalising Negotiations

- 3.1 Paragraphs 3.3 and 3.4 set out the timeframe for commencing, progressing and finalising negotiations in relation to applications for Negotiated Transmission Services under Chapter 5 of the NER, and for applications for Negotiated Transmission Services other than under Chapter 5 of the NER respectively.
- 3.2 The timeframes set out in paragraphs 3.3 and 3.4 may be suspended in accordance with paragraph 8.
- 3.3 Applications for Negotiated Transmission Services under Chapter 5 of the NER:
 - 3.3.1 Where the Negotiated Transmission Services is a service sought under Chapter 5, the specified time for commencing, progressing and finalising negotiations with a Service Applicant for the purposes of clause 6A.9.5 of the Rules is as set out in Chapter 5 of the NER; and
 - 3.3.2 Murraylink and the Service Applicant shall use reasonable endeavours to adhere to the time periods specified in paragraph 3.3.1 during the negotiation for the supply of the Negotiated Transmission Service.

- 3.4. Applications for Negotiated Transmission Services other than under Chapter 5 of the NER.³
- 3.4.1. Where the application is in respect of a Negotiated Transmission Service other than a connection service sought under Chapter 5, the specified time for commencing, progressing, and finalising negotiations with a Service Applicant for the purposes of clause 6A.9.5 of the Rules is as set out in Table 1.
- 3.4.2. Murraylink and the Service Applicant shall use reasonable endeavours to adhere to the time periods specified in Table 1.
- 3.4.3. The preliminary timeframes finalised under Step 3 in Table 1 may be modified from time to time by agreement of the parties. Such agreement must not be unreasonably withheld. Any such amendment to the preliminary timeframe shall be taken to be a reasonable period of time for commencing, progressing and finalising negotiations with a Service Applicant for the provision of the Negotiated Transmission Service for the purposes of 6A.9.5(c)(5) of the NER. The requirement in paragraph 3.4.2 applies to the last amended preliminary timeframe.

Table 1 – Timeframes

Event	Indicative timing
1. Receipt of written application for a Negotiated Transmission Service.	X
2. Parties meet to discuss a preliminary timeframe with milestone for supply of the Negotiated Transmission Service that represent a reasonable period of time for commencing, progressing and finalising negotiations for the provision of the Negotiated Transmission Service.	X + 20 business days
3. Parties finalise the preliminary timeframe, which may include, without limitation, milestones relating to: the request and provision of commercial information; and Notification and consultation with AEMO and/or any affected Transmission Network Users.	X+ 30 business days
4. Murraylink provides the Service Applicant with an offer for the Negotiated Transmission Service.	X + 120 business days
5. Parties finalise negotiations.	X + 160 business days

- 3.5. Subject to paragraph 3.3 and 3.4, Murraylink and the Service Applicant must, following a request by the Service Applicant, use their reasonable endeavours to:
- 3.5.1. hold a meeting within 20 Business Days of receipt of the written application by the Service Applicant, or such other period as agreed by the parties to agree a timetable for the conduct of negotiations and to commence discussion regarding other relevant issues;

³ i.e. services other than connection services, viz: shared transmission services or use of system services provided to a Transmission Network User and referred to in rule 5.4A(f)(3)

- 3.5.2. progress the negotiations for the provision of a Negotiated Transmission Service by Murraylink such that the negotiations may be finalised in accordance with paragraph 3.5.1;
 - 3.5.3. adhere to any timetable established for the negotiation and to progress the negotiation in an expeditious manner; and
 - 3.5.4. finalise the negotiations for the provision of a Negotiated Transmission Service by Murraylink within a time period agreed by the parties.
- 3.6. Notwithstanding paragraph 3.1, or any other provision of this negotiating framework, the timeframes set out in paragraphs 3.3 and 3.4:
- 3.6.1. do not commence until payment of the amount to Murraylink pursuant to paragraph 10; and
 - 3.6.2. recommence at Step 1 in Table 1 if there is a material change in the Negotiated Transmission Service sought by the Service Applicant, unless Murraylink agrees otherwise.

4. *Provision of Initial Commercial Information by Service Applicant*

Obligation to provide Initial Commercial Information

- 4.1. Within a time agreed by the parties, Murraylink must use its reasonable endeavours to give notice to the Service Applicant requesting Commercial Information held by the Service Applicant that is reasonably required by Murraylink to enable it to engage in effective negotiations with the Service Applicant in relation to the application and to enable Murraylink to submit Commercial Information to the Service Applicant.
- 4.2. Subject to paragraphs 4.3 and 4.4, the Service Applicant must use its reasonable endeavours to provide Murraylink with the Commercial Information requested by Murraylink in accordance with paragraph 4.1 within 10 Business Days of that request, or within a time period agreed by the parties.
- 4.3. Notwithstanding paragraph 4.1, the obligation under paragraph 4.1 is suspended as at the date of notification of a dispute if a dispute under this negotiating framework arises, until conclusion of the dispute, in accordance with paragraph 9.

Confidentiality Requirements - Commercial Information

- 4.4. For the purposes of this paragraph 4, Commercial Information does not include:
 - 4.4.1. confidential information provided to the Service Applicant by another person; or
 - 4.4.2. information that the Service Applicant is prohibited, by law, from disclosing to Murraylink.
- 4.5. Commercial Information may be provided by the Service Applicant subject to conditions including the condition that Murraylink must not disclose the Commercial Information to any other person unless the Service Applicant consents in writing to

the disclosure. The Service Applicant may require Murraylink to enter into a confidentiality agreement, on terms reasonably acceptable to both parties, with the Service Applicant in respect of any Commercial Information provided to Murraylink.

- 4.6. A consent provided by the Service Applicant in accordance with paragraph 4.5 may be subject to the condition that the person to whom Murraylink discloses the Commercial Information must enter into a separate confidentiality agreement with the Service Applicant.

5. *Provision of Additional Commercial Information by the Service Applicant*

Obligation to provide additional Commercial Information

- 5.1. Murraylink may give a notice to the Service Applicant requesting the Service Applicant to provide Murraylink with any additional Commercial Information that is reasonably required by Murraylink to enable it to engage in effective negotiations with the Service Applicant in relation to the provision of a Negotiated Transmission Service or to clarify any Commercial Information provided pursuant to paragraph 4.
- 5.2. The Service Applicant must use its reasonable endeavours to provide Murraylink with the Commercial Information requested by Murraylink in accordance with paragraph 5.1 within 10 Business Days of the date of the request under paragraph 5.1, or such other period as agreed by the parties.

Confidentiality requirements

- 5.3. For the purposes of this paragraph 5, Commercial Information does not include:
- 5.3.1. confidential information provided to the Service Applicant by another person; or
 - 5.3.2. information that the Service Applicant is prohibited, by law, from disclosing to Murraylink; and
- 5.4. Commercial Information may be provided by the Service Applicant subject to conditions including the condition that Murraylink must not disclose the Commercial Information to any other person unless the Service Applicant consents in writing to the disclosure. The Service Applicant may require Murraylink to enter into a confidentiality agreement, on terms reasonably acceptable to both parties, with the Service Applicant in respect of any Commercial Information provided to Murraylink.
- 5.5. A consent provided by the Service Applicant in accordance with paragraph 5.4 may be subject to the condition that the person to whom Murraylink discloses the Commercial Information must enter into a separate confidentiality agreement with the Service Applicant.

6. Provision of Commercial Information by Murraylink

Obligation to provide Commercial Information

- 6.1. Murraylink shall provide the Service Applicant with all Commercial Information and clarification of that information where requested (including additional commercial information) held by Murraylink that is reasonably required by a Service Applicant (including by request) to enable it to engage in effective negotiations with Murraylink for the provision of a Negotiated Transmission Service. This information is to be provided within 10 business days of the date of the request or such other period agreed by the parties, including the following information:
- 6.1.1. a description of the nature of the Negotiated Transmission Service including what Murraylink would provide to the Service Applicant as part of that service;
 - 6.1.2. the terms and conditions on which Murraylink would provide the Negotiated Transmission Service to the Service Applicant;
 - 6.1.3. (i) the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the Negotiated Transmission Service to the Service Applicant; and
(ii) a demonstration to the Service Applicant that the charges for providing the Negotiated Transmission Service reflect those costs and/or the cost increase or decrease (as appropriate).

Confidentiality requirements

- 6.2. For the purposes of paragraph 6.1, Commercial Information does not include:
- 6.2.1. confidential information provided to Murraylink by another person; or
 - 6.2.2. information that Murraylink is prohibited, by law, from disclosing to the Service Applicant.
- 6.3. Murraylink may provide the Commercial Information in accordance with paragraph 6.1 subject to relevant conditions including the condition that the Service Applicant must not disclose the Commercial Information to any other person unless Murraylink consents in writing to the disclosure. Murraylink may require the Service Applicant to enter into a confidentiality agreement with Murraylink, on terms reasonably acceptable to both parties, in respect of Commercial Information provided to the Service Applicant.
- 6.4. A consent provided by a Service Applicant in accordance with paragraph 6.3 may be subject to the condition that the person to whom the Service Applicant discloses the Commercial Information must enter into a separate confidentiality agreement with Murraylink.

7. *Determination of Impact on Other Transmission Network Users and Consultation With Affected Transmission Network Users*

- 7.1 Murraylink should determine the potential impact on Transmission Network Users, other than the Service Applicant, of the provision of the Negotiated Transmission Service.
- 7.2 Murraylink should notify and consult with any affected Transmission Network Users and ensure that the provision of the Negotiated Transmission Service does not result in non-compliance with obligations in relation to other Transmission Network Users under the NER.

8. *Suspension of Timeframe for Provision of a Negotiated Transmission Service*

- 8.1. The timeframes for negotiation of provision of a Negotiated Transmission Service as contained within this negotiating framework, or as otherwise agreed between the parties, are suspended if:
- 8.1.1. within 15 Business Days of Murraylink providing the Commercial Information to the Service Applicant pursuant to paragraph 6.1. the Service Applicant does not formally accept that Commercial Information and the parties have not agreed a date for the undertaking and conclusion of commercial negotiations;
 - 8.1.2. a dispute in relation to the Negotiated Transmission Service has been notified to the AER under clause 6A.30.1, from the date of notification of that dispute to the AER until:
 - the withdrawal of the dispute under clause 6A.30.1(c) of the NER;
 - the termination of the dispute by the commercial arbitrator in accordance with clause 6A.30.5 (d) or (e) of the NER; or
 - determination of the dispute by the commercial arbitrator under clause 6A.30.6(b) of the NER;
 - 8.1.3. within 10 Business Days of Murraylink requesting additional Commercial Information from the Service Applicant pursuant to paragraph 5, the Service Applicant has not supplied that Commercial Information;
 - 8.1.4. without limiting paragraphs 8.1.1 to 8.1.3, either of the parties does not promptly conform with any of its obligations as required by this negotiating framework or as otherwise agreed by the parties;
 - 8.1.5. Murraylink has been required to notify and consult with any affected Transmission Network Users under paragraph 7.2 or AEMO at any time, from the date of notification to the affected Transmission Network Users or AEMO until the end of the time limit specified by Murraylink for any affected Transmission Network Users or AEMO, or the receipt of such information from the affected Transmission Network Users or AEMO,

whichever is the later regarding the provision of the Negotiated Transmission Service.

9. Dispute Resolution

- 9.1. All disputes between the parties as to the terms and conditions of access for the provision of a Negotiated Transmission Service are to be dealt with in accordance with Part K of Chapter 6A of the NER.

10. Payment of Murraylink's Costs

- 10.1. Prior to commencing negotiations, the Service Applicant shall pay an application fee to Murraylink. Where the application is for a Negotiated Transmission Service under Chapter 5 of the NER, this payment is made in accordance with clause 5.3.3(c)(5).
- 10.2. The application fee lodged pursuant to paragraph 10.1 will be deducted from the reasonable Costs incurred in processing the Service Applicant's application to Murraylink for the provision of a Negotiated Transmission Service.
- 10.3. From time to time, Murraylink may give the Relevant Service Applicant a notice setting out the reasonable Costs incurred by Murraylink and the off-set of any amount applicable under paragraph 10.1.
- 10.4. If the aggregate of the Costs exceed the amount paid by the Service Applicant pursuant to paragraph 10.1, the Service Applicant must, within 20 Business Days of the receipt of a notice in accordance with paragraph 10.3, pay Murraylink the amount stated in the notice.
- 10.5. Murraylink may require the Service Applicant to enter into a binding agreement addressing conditions, guarantees and other matters in relation to the payment of on-going Costs.

11. Termination of Negotiations

- 11.1. The Service Applicant may elect not to continue with its application for a Negotiated Transmission Service and may terminate the negotiations by giving Murraylink written notice of its decision to do so.
- 11.2. Murraylink may terminate a negotiation under this framework by giving the Service Applicant written notice of its decision to do so where:
- 11.2.1. Murraylink believes on reasonable grounds⁴ that the Service Applicant is not conducting the negotiation under this negotiating framework in good faith;

⁴ Reasonable grounds would include for example the Service Applicant not contacting or responding to Murraylink's request for a period of 6 months. If an application for a Negotiated transmission Service is terminated, it must recommence at Step 1 in Table 1.

- 11.2.2. the Service Applicant consistently fails to comply with the requirements of the negotiating framework;
- 11.2.3. the Service Applicant fails to comply with an obligation in this negotiating framework to undertake or complete an action within a specified or agreed timeframe, and does not complete the relevant action within 20 Business Days of a written request from Murraylink; or
- 11.2.4. an act of Solvency Default occurs in relation to the Service Applicant.

12. *Giving Notices*

- 12.1. A notice, consent, information, application or request that must or may be given or made to a party under this document is only given or made if it is in writing and delivered or posted to that party at its address set out below.

If a party gives the other party 5 Business Days' notice of a change of its address, a notice, consent, information, application or request is only given or made by that other party if it is delivered or posted to the latest address.

Murraylink

Name: General Manager, Corporate Development

Address Murraylink Transmission Company Pty Ltd
Level 19, 580 George Street
Sydney NSW 2000

Service Applicant

Name: Service Applicant

Address The nominated address of the Service Applicant provided in writing to Murraylink as part of the application

Time notice is given

- 12.2. A notice, consent, information, application or request is to be treated as given or made at the following time:
- 12.2.1. if it is delivered, when its left at the relevant address;
 - 12.2.2. if it is sent by post, 2 Business Days after it is posted;
 - 12.2.3. if it is sent by facsimile transmission, on the day the transmission is sent (but only if the sender has a confirmation report specifying a facsimile number of the recipient, the number of pages sent and the date of transmission) or
 - 12.2.4. if it is sent by email, once acknowledged as received by the addressee.

If a notice, consent, information, application or request is delivered after the normal business hours of the party to whom it is sent, it is to be treated as having been given or made at the beginning of the next Business Day.

13. *Definitions And Interpretation*

Definitions

13.1. In this document the following definitions apply:

Term	Definition
Business Day	means a day on which all banks are open for business generally in Sydney, NSW.
Commercial Information	shall include as a minimum, the following classes of Information: <ul style="list-style-type: none"> - details of corporate structure; - financial details relevant to creditworthiness and commercial risk; - ownership of assets; - technical information relevant to the application for a Negotiated Transmission Service; - financial information relevant to the application for a Negotiated Transmission Service; - details of an application's compliance with any law, standard, NER or guideline.
Costs	means any costs of expenses incurred by Murraylink in complying with this negotiating framework or otherwise advancing the Service Applicant's request for the provision of a Negotiated Transmission Service.
Murraylink	means Murraylink Transmission Company Pty Ltd
Solvency Default	means the occurrence of any of the following events in relation to the Service Applicant: <ol style="list-style-type: none"> a. An originating process or application for the winding up of the Service Applicant (other than a frivolous or vexatious application) is filed in a court or a special resolution is passed to wind up the Service Applicant, and is not dismissed before the expiration of 40 Business Days from service on the Service Applicant; b. A receiver, receiver and manager, or administrator is appointed in respect of all or any part of the assets of the Service Applicant, or a provisional liquidator is appointed to the Service Applicant; c. A mortgagee, chargee or other holder of security, by itself or by or through an agent, enters into possession of all or any part of the assets of the Service Applicant; d. A mortgage, charge or other security is enforced by its holder or becomes enforceable or can become enforceable with the giving of notice, lapse of time or fulfilment of a condition; e. The Service Applicant stops payment of, or admits in writing its inability to pay its debts as they fall due; f. The Service Applicant applies for, consents to, or acquiesces in the appointment of a trustee or receiver of the Service Applicant or any of its property; g. A court appoints a liquidator, provisional liquidator, receiver or trustee, whether permanent or temporary, of all or any part of the Service Applicant's property; h. The Service Applicant takes any step to obtain protection or is granted protection from its creditors under any applicable legislation or a meeting is convened or a resolution is

Term	Definition
	<p>passed to appoint an administrator or controller (as defined in the Corporations Act 2001), in respect of the Service Applicant;</p> <p>i. A controller (as defined in the Corporations Act 2001) is appointed in respect of any part of the property of the Service Applicant;</p> <p>j. Except to reconstruct or amalgamate while solvent, the Service Applicant enters into or resolves to enter into a scheme of arrangement, compromise or reconstruction proposed with its creditors (or any class of them) or with its members (or any class of them) or proposes re-organisation, re-arrangement moratorium or other administration of the Service Applicant's affairs;</p> <p>k. The Service Applicant is the subject of an event described in section 459C(2)(b) of the Corporations Act 2001; or</p> <p>l. Anything analogous or having a substantially similar effect to any of the extents specified above happens in relation to the Service Applicant.</p>

Interpretation

- 13.2. In this document, unless the context otherwise requires:
- 13.2.1. terms defined in the NER have the same meaning in this negotiating framework;
 - 13.2.2. a reference to any law or legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision;
 - 13.2.3. a reference to any agreement or document is to that agreement or document as amended, novated, supplemented or replaced from time to time;
 - 13.2.4. a reference to a paragraph, part, schedule or attachment is a reference to a paragraph, part, schedule or attachment of or to this document unless otherwise stated;
 - 13.2.5. an expression importing a natural person includes any company, trust, partnership, joint venture, association, corporation, body corporate or governmental agency; and
 - 13.2.6. a covenant or agreement on the part of two or more persons binds them jointly and severally.

3 Negotiated transmission service criteria

3.1 National Electricity Objective

1. The terms and conditions of access for a negotiated transmission service, including the price that is to be charged for the provision of that service and any access charges, should promote the achievement of the national electricity objective.

3.2 Criteria for terms and conditions of access

Terms and conditions of access

2. The terms and conditions of access for a negotiated transmission service must be fair, reasonable, and consistent with the safe and reliable operation of the power system in accordance with the NER.
3. The terms and conditions of access for negotiated transmission services, particularly any exclusions and limitations of liability and indemnities, must not be unreasonably onerous. Relevant considerations include the allocation of risk between the TNSP and the other party, the price for the negotiated transmission service and the cost to the TNSP of providing the negotiated service.
4. The terms and conditions of access for a negotiated transmission service must take into account the need for the service to be provided in a manner that does not adversely affect the safe and reliable operation of the power system in accordance with the NER.

Price of services

5. The price of a negotiated transmission service must reflect the cost that the TNSP has incurred or incurs in providing that service, and must be determined in accordance with the principles and policies set out in the Cost Allocation Methodology.
6. Subject to criteria 7 and 8, the price for a negotiated transmission service must be at least equal to the avoided cost of providing that service but no more than the cost of providing it on a stand alone basis.
7. If the negotiated transmission service is a shared transmission service that:
 - i. exceeds any network performance requirements which it is required to meet under any relevant electricity legislation; or
 - ii. exceeds the network performance requirements set out in schedule 5.1a and 5.1 of the NER

then the difference between the price for that service and the price for the shared transmission service which meets network performance requirements must reflect the TNSP's incremental cost of providing that service (as appropriate).

8. For shared transmission services, the difference in price between a negotiated transmission service that does not meet or exceed network performance requirements and a service that meets those requirements should reflect the TNSP's avoided costs. Schedule 5.1a and 5.1 of the NER or any relevant electricity legislation must be considered in determining whether any network service performance requirements have not been met or exceeded.

9. The price for a negotiated transmission service must be the same for all Transmission Network Users. The exception is if there is a material difference in the costs of providing the negotiated transmission service to different Transmission Network Users or classes of Transmission Network Users.
10. The price for a negotiated transmission service must be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person. In such cases the adjustment must reflect the extent to which the costs of that asset are being recovered through charges to that other person.
11. The price for a negotiated transmission service must be such as to enable the TNSP to recover the efficient costs of complying with all regulatory obligations associated with the provision of the negotiated transmission service.

3.3 Criteria for access charges

Access charges

12. Any access charges must be based on the costs reasonably incurred by the TNSP in providing transmission network user access. This includes the compensation for foregone revenue referred to in clause 5.4A(h) to (j) of the NER and the costs that are likely to be incurred by a person referred to in clause 5.4A(h).

4 Pricing methodology



**Murraylink *Transmission*
Company Pty Ltd**

Pricing methodology

Effective
July 2013 to June 2018

May 2012
Murraylink *Pricing Methodology* v02.docx

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Amendment Record

Version	Date
01	31 May 2012
02	16 January 2013

Glossary

Shortened forms

AARR	Aggregate Annual Revenue Requirement
AER	Australian Energy Regulator
ASRR	Annual Service Revenue Requirement
CRNP	cost reflective network pricing
TNSP	transmission network service provider
TUOS	transmission use of system

Terms

The AER has adopted the following definitions for the purposes of the *guidelines* only:

<i>Appointing provider</i>	has the meaning ascribed to it in clause 6A.29.1(a) of the <i>National Electricity Rules</i> .
<i>Contract agreed maximum demand</i>	means the agreed maximum demand negotiated between a <i>TNSP</i> and a <i>transmission customer</i> .
<i>Current metered energy offtake</i>	means metered energy measured at a <i>connection point</i> in the current <i>billing period</i> .
<i>Current metered maximum demand offtake</i>	means metered maximum demand measured at a <i>connection point</i> in the current <i>billing period</i> .
<i>Directly attributable</i>	in relation to <i>transmission assets</i> refers to assets that are used or required to provide the relevant pricing category of prescribed <i>transmission service</i> .
<i>Guidelines</i>	means the <i>pricing methodology guidelines</i> .
<i>Historical metered energy offtake</i>	means metered energy measured at a <i>connection point</i> in the corresponding <i>billing period</i> two years earlier.
<i>Historical metered maximum demand offtake</i>	means metered maximum demand measured at a <i>connection point</i> in the corresponding <i>billing period</i> two years earlier.
<i>National Electricity Rules</i>	means the <i>Rules</i> as defined in the <i>National Electricity Law</i> .

1 Introduction

Murraylink is a Direct Current *transmission* link, which interconnects AC power grids of the South Australian and Victorian transmission regions of the NEM.

The Murraylink asset is owned by the Murraylink *Transmission* Partnership. The Murraylink *Transmission* Partnership has ABN 79 181 207 909. The Murraylink partners are beneficially owned by Energy Infrastructure Investments Pty Limited (EII).

EII is an energy infrastructure investment company, which owns electricity interconnectors (including Directlink), gas fired power *generation*, coal seam gas processing plants and gas pipelines. EII is owned by:

- Marubeni Corporation (49.9%) – a Japanese Company with businesses across a wide range of industrial sectors internationally. Marubeni has interests in approximately 6,300 MW of *generation* capacity around the world, including 1,000 MW in Australia, through interests in the Milmerran Power Station in Queensland and the Smithfield *Cogeneration* Plant in New South Wales;
- Osaka Gas (30.2%) – has energy investments in over 56,000 km of gas *transmission* and distribution pipelines in Japan and an interest in approximately 5,200 MW of power *generation* in Japan, USA and Europe; and
- APA Group (19.9%) - APA is a major owner and operator of energy infrastructure in Australia owning over 12,000km of gas *transmission* pipelines and over 2,500 km of gas distribution networks.

The Murraylink asset is operated and maintained by the APA Group under contractual arrangements.

Clause 6A.25.1(a) of the *National Electricity Rules* requires the AER to develop, in accordance with the *transmission consultation procedures, guidelines* relating to the preparation of a proposed *pricing methodology* by a *TNSP*.

In this *pricing methodology* the words and phrases presented in *italics* have the meaning given to them in the glossary; or, if not defined in the glossary, the *National Electricity Rules*.

Murraylink's proposed *pricing methodology* has been developed in accordance with the AER's *Electricity Transmission Network Service Providers Pricing Methodology Guidelines* (the *Guidelines*)¹.

¹ AER, Final - Electricity Transmission Network Service Providers Pricing Methodology Guidelines, October 2007.

2 Murraylink's Pricing Methodology

2.1 Information requirements

A TNSP's proposed pricing methodology must contain the following information:

Requirement	Murraylink Compliance
(a) Whether the TNSP is the sole provider of prescribed transmission services within its region or whether there are multiple TNSPs providing prescribed transmission services.	Murraylink is not the sole provider of transmission services in either Victoria or South Australia. SP AusNet and ElectraNet are the other TNSPs in those respective jurisdictions.
(b) If there are multiple TNSPs providing prescribed transmission services within its region the TNSP should detail whether it:	Murraylink provides prescribed transmission services in two regions of the NEM.
(1) has been appointed as the Co-ordinating Network Service Provider for a region under clause 6A.29.1(a) of the National Electricity Rules and is therefore responsible for the allocation of the AARR within the region; or	<p>Murraylink has not been appointed as the Co-ordinating Network Service Provider in either Victoria or South Australia.</p> <p>The Co-ordinating Network Service Providers for Murraylink's prescribed transmission services are:</p> <ul style="list-style-type: none"> For Victoria, AEMO has been appointed as the Co-ordinating Network Service Provider For South Australia, ElectraNet has been appointed as the Co-ordinating Network Service Provider.
(2) is an appointing provider for the purposes of clause 6A.29.1(a) of the National Electricity Rules and if so, it should nominate the Coordinating Network Service Provider and identify the parts of its proposed pricing methodology which will be dealt with by the Coordinating Network Service Provider.	<p>Murraylink is an appointing provider for the purpose of the Rules.</p> <p>Certain parts of this proposed pricing methodology will be dealt with by the Coordinating Network Service Providers, as follows:</p> <ul style="list-style-type: none"> The calculation of the ASRR for the Victorian and South Australian regions, in accordance with clause 6A.22.2 of the Rules; and The calculation of attributable cost shares, in accordance with clause 6A.22.3 of the Rules. The principles for the allocation of the AARR to categories of prescribed transmission services, in accordance with clause 6A.18.2 of the Rules. The principles for the allocation of the ASRR to transmission network connection points, in accordance with clause 6A.18.3 of the Rules. Pricing structure principles, in accordance with clause 6A.18.4 of the Rules.

Requirement	Murraylink Compliance
(c) Details of how the AARR has been derived including an explanation of how the operating and maintenance costs subtracted from the <i>maximum allowed revenue</i> in accordance with clause 6A.22.1 of the <i>National Electricity Rules</i> have been determined and how they will be recovered via <i>transmission prices</i> .	<p>Murraylink's AARR is for <i>prescribed transmission services</i> only. There is no common service component to the Murraylink AARR, for the purpose of clause 6A.22.1 of the <i>Rules</i>.</p> <p>Murraylink's AARR is determined by the AER and is adjusted annually using the regulatory control formula for CPI, X and other factors.</p> <p>Murraylink's AARR is recovered through transmission prices as follows:</p> <ul style="list-style-type: none"> • 55% from AEMO; and • 45% from ElectraNet.
(d) Details of how the AARR will be allocated to derive the ASRR for each category of <i>prescribed transmission service</i> , including:	Murraylink's AARR is for <i>prescribed transmission services</i> only. It is included in the ASRR for the Victorian and South Australian transmission regions in the proportions described in response to clause (c).
(1) how the <i>attributable cost shares</i> for each category of <i>prescribed transmission service</i> will be calculated in accordance with clause 6A.22.3 of the <i>National Electricity Rules</i> including:	The calculation of <i>attributable cost shares</i> in accordance with clause 6A.22.3 of the <i>National Rules</i> is described in the <i>pricing methodologies</i> of AEMO, for the Victorian region, and Electranet, for the South Australian region.
A. an explanation of how the costs referred to in clause 6A.22.3(a) of the <i>National Electricity Rules</i> will be calculated; and	Included in the AEMO and Electranet <i>pricing methodologies</i> .
B. hypothetical worked examples for each category of <i>prescribed transmission service</i> ;	Included in the AEMO and Electranet <i>pricing methodologies</i> .
(2) how the priority ordering approach outlined in clause 6A.18.2(d) of the <i>National Electricity Rules</i> will be applied, including a hypothetical worked example; and	Included in the AEMO and Electranet <i>pricing methodologies</i> .
(3) how asset costs which may be attributable to both <i>prescribed entry services</i> and <i>prescribed exit services</i> will be allocated.	Murraylink does not provide <i>prescribed entry services</i> or <i>prescribed exit services</i> .
(e) Details of how the ASRR for each category of <i>prescribed transmission service</i> will be allocated to each <i>transmission connection point</i> , including:	Included in the AEMO and Electranet <i>pricing methodologies</i> .
(1) how the <i>attributable connection point cost share</i> for both <i>prescribed entry services</i> and <i>prescribed exit services</i> will be calculated in accordance with clause 6A.22.4 of the <i>National Electricity Rules</i> , including:	Included in the AEMO and Electranet <i>pricing methodologies</i> .

Requirement	Murraylink Compliance
A. an explanation of how the costs referred to in clause 6A.22.4(a) of the <i>National Electricity Rules</i> will be calculated;	Included in the AEMO and Electranet pricing methodologies.
B. hypothetical worked examples; and	Included in the AEMO and Electranet pricing methodologies.
C. how asset costs allocated to prescribed entry services and prescribed exit services at a connection point, which may be attributable to multiple transmission network users, will be allocated;	Included in the AEMO and Electranet pricing methodologies.
(2) how the locational and pre-adjusted non-locational shares of prescribed TUOS services will be allocated in accordance with 6A.18.3(d) of the <i>National Electricity Rules</i> ;	Included in the AEMO and Electranet pricing methodologies.
(3) how the locational and adjusted non-locational components of prescribed TUOS services will be determined and allocated to connection points in accordance with clause 6A.18.3(c) of the <i>National Electricity Rules</i> .	Included in the AEMO and Electranet pricing methodologies.
(f) In relation to price structures:	Included in the AEMO and Electranet pricing methodologies.
(1) confirm that separate prices will be developed for each category of prescribed transmission service;	See above.
(2) confirm that the prices for prescribed entry services and prescribed exit services will be a fixed annual amount, and describe how these amounts will be calculated;	See above.
(3) outline how the pricing structure for the recovery of the locational component of prescribed TUOS services complies with these guidelines and clauses 6A.18.4(e)-(j) of the <i>National Electricity Rules</i> including outlining.	See above.
A. the time period for the allocation of generation to load as prescribed in clause S6A.3.2(3) of the <i>National Electricity Rules</i> ;	See above.
B. how prices will be structured to comply with the <i>National Electricity Rules</i> and these guidelines; and	See above.

Requirement	Murraylink Compliance
C. the process for deriving the locational charge for each <i>billing period</i> and details of any adjustment mechanism applied to a measure of forecast demand once actual demand is known;	See above.
(4) outline how the postage stamp pricing structure for the recovery of the adjusted non locational component of <i>prescribed TUOS services</i> complies with these <i>guidelines</i> and clause 6A.18.4(j) of the <i>National Electricity Rules</i> ; and	See above.
(5) outline how the postage stamp pricing structure for the recovery of <i>prescribed common transmission services</i> complies with these <i>guidelines</i> and clause 6A.18.4(d) of the <i>National Electricity Rules</i> .	See above.
(g) Details of how the TNSP intends to set the <i>prescribed TUOS service locational price</i> at <i>new connection points</i> or at <i>connection points</i> where the load has changed significantly after <i>prescribed TUOS service locational prices</i> have been determined and published by the TNSP.	Included in the AEMO and Electranet <i>pricing methodologies</i> .
(h) If a TNSP expects to calculate a postage stamped charge in accordance with either section 2.3(c)(4)(C) or 2.3(d)(3)(C) of these <i>guidelines</i> , it must explain the likely circumstances surrounding the use of <i>current energy offtake</i> or <i>current maximum demand offtake</i> in its proposed <i>pricing methodology</i> .	Included in the AEMO and Electranet <i>pricing methodologies</i> .
(i) A statement of how the <i>pricing methodology</i> gives effect to and is consistent with, the <i>pricing principles for prescribed transmission services</i> including an explanation of how any alternative pricing structure which the TNSP wishes to apply meets the requirements of clause 6A.18.4(a)-(j) of the <i>National Electricity Rules</i> .	Included in the AEMO and Electranet <i>pricing methodologies</i> .
(j) Details of any proposed transitional arrangements the TNSP considers necessary as a result of the implementation of its <i>pricing methodology</i> .	Included in the AEMO and Electranet <i>pricing methodologies</i> .

Requirement	Murraylink Compliance
(k) Information relating to any prudent discounts for prescribed transmission services previously submitted to the AER or expected to be submitted to the AER within the next regulatory control period and how those discounts are proposed to be recovered from Transmission Network Users in accordance with rule 6A.26 of the National Electricity Rules.	Included in the AEMO and Electranet pricing methodologies.
(l) Details of billing arrangements with Transmission Network Users and transfers between TNSPs conducted in accordance with rule 6A.27 of the National Electricity Rules.	Murraylink bills TNSPs AEMO and Electranet on a monthly basis, in accordance with clause 6A.27 of the Rules.
(m) Details of the nature of prudential requirements as outlined in rule 6A.28 of the National Electricity Rules and how any capital contributions will be taken into account in determining a Transmission Network Users' prices for prescribed transmission services.	Included in the AEMO and Electranet pricing methodologies. There are no prudential requirements or capital contributions in respect of Murraylink.
(n) If a TNSP has, in accordance with section 2.5 of these guidelines, provided the AER with a confidential version of its proposed pricing methodology, the non confidential version of the proposed pricing methodology must outline the area or areas where the TNSP is making a claim for confidentiality and why.	Murraylink is not claiming confidentiality in respect of this proposed pricing methodology.
(o) Details of any derogation in accordance with chapter 9 of the National Electricity Rules.	There is no derogation in accordance with chapter 9 of the National Electricity Rules that applies to Murraylink.
(p) Details of any transitional arrangements which apply in accordance with chapter 11 of the National Electricity Rules.	There are no transitional arrangements in accordance with chapter 11 of the National Electricity Rules that apply to Murraylink.
(q) The period over which the proposed pricing methodology will apply.	This proposed pricing methodology will apply for the proposed regulatory control period from 1 July 2013 to 30 June 2018.
(r) A description of any differences between the pricing methodology applied during the current regulatory control period and that proposed for the next regulatory control period.	Murraylink was not required to prepare a pricing proposal during the previous 2003-13 regulatory control period.

Requirement	Murraylink Compliance
(s) Details of how the TNSP intends to monitor, and develop records of its compliance with its approved pricing methodology, the pricing principles for prescribed transmission services and more broadly part J of the National Electricity Rules.	Murraylink will continue to maintain records of payments made by AEMO and Electranet for prescribed transmission services and reconcile these payments with the AARR. These details will continue to be included in the regulatory accounts submitted annually to the AER.

2.2 Permitted (locational) pricing structures

Requirement	Murraylink Compliance
(a) Prices for the recovery of the locational component of prescribed TUOS services must be based on demand at times of greatest utilisation of the transmission network and for which network investment is most likely to be contemplated in accordance with clause 6A.18.4(e) of the National Electricity Rules.	Included in the AEMO and Electranet pricing methodologies.
(b) The CRNP methodology and modified CRNP methodology outlined in S6A.3 of the National Electricity Rules provides guidance on the process for cost allocation for the locational component of prescribed TUOS services and results in a lump sum dollar amount to be recovered at each transmission connection point.	Included in the AEMO and Electranet pricing methodologies.
(c) The following measures of demand may be applied to the lump sum dollar amount referred to in section 2.2(b) of these guidelines to derive the locational price at each transmission connection point.	Included in the AEMO and Electranet pricing methodologies.
(1) The current contract agreed maximum demand (prevailing at the time transmission prices are published) as negotiated in a transmission customer's connection agreement or the transmission customer's maximum demand in the previous 12 months if the transmission customer has exceeded its current contract agreed maximum demand, expressed as \$/MW/day; or	See above.
(2) The average of the transmission customer's half-hourly maximum demand recorded at a connection point on the 10 weekdays when system demand was highest between the hours of 11:00 and 19:00 in the local time zone during the previous 12 months, expressed as \$/MW/day.	See above.

Requirement	Murraylink Compliance
(d) A TNSP (or Co-ordinating Network Service Provider) may propose alternative pricing structures for the recovery of the locational component of prescribed TUOS services which it considers give effect to, and are consistent with the pricing principles for prescribed transmission services in the National Electricity Rules.	Murraylink is not proposing alternative pricing structures for the recovery of the locational TUoS component. This detail may be included in the AEMO and Electranet pricing methodologies.
(e) If a TNSP (or Co-ordinating Network Service Provider) proposes an alternative pricing structure for the recovery of the locational component of prescribed TUOS services it must clearly demonstrate to the AER that the alternative pricing structure:	Murraylink is not proposing alternative pricing structures for the recovery of the locational TUoS component. This detail may be included in the AEMO and Electranet pricing methodologies.
(1) gives effect to, and is consistent with the pricing principles for prescribed transmission services in the National Electricity Rules;	See above.
(2) improves on the permitted pricing structures outlined in section 2.2(c) of these guidelines; and	See above.
(3) contributes to the NEM objective.	See above.
(f) If historical data is unavailable for a connection point for use in either the allocation of costs to a connection point using the CRNP or modified CRNP methodology outlined in S6A.3 or the calculation of locational prices outlined in section 2.2(c) of these guidelines, an estimate of demand must be used instead.	Included in the AEMO and Electranet pricing methodologies.
(g) The contract agreed maximum demand must only be used for the calculation of the locational component of prescribed TUOS services pricing structure if the transmission customer's connection agreement or other enforceable instrument governing the terms of connection of the transmission customer.	Included in the AEMO and Electranet pricing methodologies.
(1) nominates a fixed maximum demand for the connection point; and	See above.
(2) specifies penalties for exceeding the contract agreed maximum demand.	See above.
(h) The locational TUOS price calculated in accordance with these guidelines must be applied to a measure of actual, forecast or contract demand to derive the locational charge.	Included in the AEMO and Electranet pricing methodologies.

2.3 Permitted (postage stamp) pricing structures

Requirement	Murraylink Compliance
(a) Prices for <i>prescribed common transmission services</i> and the recovery of the adjusted non-locational component of <i>prescribed TUOS services</i> are to be set on a <i>postage stamp</i> basis in accordance with clause 6A.18.4(d) and clause 6A.18.4(j) of the <i>National Electricity Rules</i> respectively.	Included in the AEMO and Electranet pricing methodologies.
(b) Permissible postage stamp pricing structures for either the non-locational component of <i>prescribed TUOS services</i> or <i>prescribed common transmission services</i> must be based on any one of the following:	Included in the AEMO and Electranet pricing methodologies.
(1) either <i>contract agreed maximum demand</i> or <i>historical energy</i> ;	See above.
(2) <i>maximum demand</i> ; or	See above.
(3) an alternative pricing structure proposed by the TNSP.	See above.
(c) If a postage stamped structure is based on either <i>contract agreed maximum demand</i> or <i>historical energy</i> it must be calculated as follows:	Included in the AEMO and Electranet pricing methodologies.
(1) Each financial year a TNSP (or Co-ordinating Network Service Provider) must determine the following two prices:	See above.
A. an <i>energy based price</i> that is a price per unit of historical metered energy or current metered energy at a <i>connection point</i> ; and	See above.
B. a <i>contract agreed maximum demand price</i> that is a price per unit of <i>contract agreed maximum demand</i> at a <i>connection point</i> .	See above.
(2) Either the <i>energy based price</i> or the <i>contract agreed maximum demand price</i> applies at a <i>connection point</i> except for those <i>connection points</i> where a <i>transmission customer</i> has negotiated reduced charges for <i>prescribed common transmission services</i> or the adjusted non-locational component of <i>prescribed TUOS services</i> in accordance with clause 6A.26.1 of the <i>National Electricity Rules</i> .	See above.

Requirement	Murraylink Compliance
(3) The <i>energy based price</i> and the <i>contract agreed maximum demand price</i> referred to in section 2.3(c)(1) of these <i>guidelines</i> must be determined so that:	See above.
A. a <i>transmission customer</i> with a load factor in relation to its <i>connection point</i> equal to the median load factor for <i>connection points</i> with <i>transmission customers</i> connected to the <i>transmission network</i> in the <i>region</i> or <i>regions</i> is indifferent between the use of the <i>energy based price</i> and the <i>contract agreed maximum demand price</i> ; and	See above.
B. the total amount to be recovered by <i>prescribed common transmission services</i> or the adjusted non-locational component of <i>prescribed TUOS services</i> does not exceed the <i>ASRR</i> for each category of <i>prescribed transmission service</i> .	See above.
(4) The charge for either the <i>prescribed common transmission service</i> or the adjusted non locational component of <i>prescribed TUOS services</i> using the <i>energy based price</i> for a <i>billing period</i> in a <i>financial year</i> for each <i>connection point</i> must be calculated by:	See above.
A. multiplying the <i>energy based price</i> by the metered energy offtake at that <i>connection point</i> in the corresponding <i>billing period</i> two years earlier (i.e. <i>historical metered energy offtake</i>); or	See above.
B. multiplying the <i>energy based price</i> by the metered energy offtake at that <i>connection point</i> in the same <i>billing period</i> (<i>current metered energy offtake</i>) if the <i>historical metered energy offtake</i> is not available; or	See above.
C. multiplying the <i>energy based price</i> by the <i>current metered energy offtake</i> if the <i>historical metered energy offtake</i> is significantly different to the <i>current metered energy offtake</i> .	See above.

Requirement	Murraylink Compliance
(5) The charge calculated for <i>prescribed common transmission services</i> or the adjusted non-locational component of <i>prescribed TUOS services</i> using the <i>contract agreed maximum demand price</i> for a <i>billing period</i> in a <i>financial year</i> for each <i>connection point</i> must be calculated by multiplying the <i>contract agreed maximum demand price</i> by the maximum demand for the <i>connection point</i> in that <i>financial year</i> and then dividing this amount by the number of <i>billing periods</i> in the <i>financial year</i> .	See above.
(6) The <i>energy based price</i> or the <i>contract agreed maximum demand price</i> that applies for <i>prescribed common transmission services</i> or the adjusted non-locational component of <i>prescribed TUOS services</i> must be the one which results in the lower estimated charge for that <i>prescribed transmission service</i> .	See above.
(7) A <i>contract agreed maximum demand price</i> must only be used for the calculation of the <i>prescribed common transmission services charge</i> or the adjusted non-locational component of <i>prescribed TUOS services charge</i> if the <i>transmission customer's connection agreement</i> or other enforceable instrument governing the terms of connection of the <i>transmission customer</i> .	See above.
A. nominates a <i>contract agreed maximum demand</i> for the <i>connection point</i> ; and	See above.
B. specifies penalties for exceeding the <i>contract agreed maximum demand</i> .	See above.
(d) If a postage stamped pricing structure is based on <i>maximum demand</i> it must be calculated as follows:	Murraylink does not determine <i>postage stamp based prices</i> . This detail is included in the AEMO and Electranet <i>pricing methodologies</i> .
(1) Each <i>financial year</i> a <i>TNSP (or Co-ordinating Network Service Provider)</i> must determine the <i>maximum demand based price</i> that is a price per unit of historical metered <i>maximum demand</i> or actual metered <i>maximum demand</i> measured at a <i>connection point</i> ;	See above.

Requirement	Murraylink Compliance
(2) The <i>maximum demand</i> based price applies at a <i>connection point</i> except for those <i>connection points</i> where a <i>transmission customer</i> has negotiated reduced charges for <i>prescribed common transmission services</i> or the adjusted non-locational component of <i>prescribed TUOS services</i> in accordance with clause 6A.26.1 of the <i>National Electricity Rules</i> .	See above.
(3) The charge for either the <i>prescribed common transmission services</i> or the adjusted non-locational component of <i>prescribed TUOS services</i> using the <i>maximum demand</i> based price for a <i>billing period</i> in a <i>financial year</i> for each <i>connection point</i> must be calculated by:	See above.
A. multiplying the <i>maximum demand</i> based price by the <i>maximum demand</i> at that <i>connection point</i> in the corresponding <i>billing period</i> two years earlier (i.e. <i>historical metered maximum demand</i> <i>offtake</i>); or	See above.
B. multiplying the <i>maximum demand</i> based price by the <i>maximum demand</i> at that <i>connection point</i> in the same <i>billing period</i> (<i>current metered maximum demand</i> <i>offtake</i>) if the <i>historical maximum demand</i> <i>offtake</i> is not available;	See above.
C. multiplying the <i>maximum demand</i> based price by the <i>current metered maximum demand</i> <i>offtake</i> if the <i>historical metered maximum demand</i> <i>offtake</i> is significantly different to the <i>current metered maximum demand</i> <i>offtake</i> .	See above.
(e) A <i>TNSP</i> (or <i>Co-ordinating Network Service Provider</i>) may propose alternative postage stamp pricing structures which it considers give effect to, and are consistent with the <i>pricing principles for prescribed transmission services</i> in the <i>National Electricity Rules</i> , in which case it must clearly demonstrate to the <i>AER</i> that the alternative pricing structure is least distortionary to <i>transmission network users'</i> behaviour and:	Murraylink does not determine postage stamp based prices. This detail is included in the AEMO and Electranet <i>pricing methodologies</i> .
(1) gives effect to, and is consistent with the <i>pricing principles for prescribed transmission services</i> in the <i>National Electricity Rules</i> ;	See above.

Requirement	Murraylink Compliance
(2) improves on the permitted pricing structures outlined in section 2.2(c) and (d) of these guidelines; and	See above.
(3) contributes to the NEM objective.	See above.

2.4 Attribution of transmission system assets to categories of prescribed transmission services

Requirement	Murraylink Compliance
(a) The following sections outline the types of transmission system assets that are directly attributable to each category of prescribed transmission service.	Murraylink's transmission system assets are all directly attributable to prescribed transmission services.
(1) The types of transmission system assets that are directly attributable to prescribed entry services are limited to:	Murraylink has no transmission system assets that are directly attributable to prescribed entry services.
A. substation buildings, substation land and associated infrastructure (such as fences, earthing equipment etc);	See above.
B. switchgear and plant associated with generators' generating systems connection and generator transformers;	See above.
C. secondary systems associated with primary systems providing prescribed entry services;	See above.
D. transmission lines owned by TNSPs connecting generators' generating systems to the TNSP's transmission network; and	See above.
E. meters associated with prescribed entry services and owned by the TNSP.	See above.
(2) The types of transmission system assets that are directly attributable to prescribed exit services are limited to:	Murraylink has no transmission system assets that are allocated to prescribed exit services.
A. substation buildings, substation land and associated infrastructure (such as fences, earthing equipment etc);	See above.

Requirement	Murraylink Compliance
B. switchgear used to supply the sub-transmission voltage and associated switchgear at both the transmission and sub-transmission voltage level;	See above.
C. transformers which supply the sub-transmission voltage level and associated switchgear at both the transmission and sub-transmission voltage level;	See above.
D. secondary systems associated with primary systems providing prescribed exit services;	See above.
E. meters associated with prescribed exit services and owned by the TNSP; and	See above.
F. reactive plant installed for power factor correction which provides benefit to transmission customers connected at the connection point.	See above.
(3) The types of transmission system assets that are directly attributable to prescribed TUOS services are limited to:	Murraylink transmission system assets are all directly attributable to prescribed TUoS services.
A. substation buildings, substation land and associated infrastructure (such as fences, earthing equipment etc);	Murraylink transmission system assets include substation buildings, land and the associated infrastructure located at Red Cliffs and Berri.
B. transmission lines and associated easements;	Murraylink transmission system assets include a DC transmission cable between Red Cliffs and Berri.
C. switchgear on transmission lines and auto-transformers which are part of the transmission network and are switched at the substation including associated bus work and control and protection schemes;	Murraylink transmission system assets include electronic switchgear that controls the DC transmission cable and transformers. This equipment and the associated bus work, control and protection systems is located at Red Cliffs and Berri.
D. auto-transformers which transform voltage between transmission levels;	Murraylink transmission system assets include specially designed transformers that permit the conversion of AC to DC.
E. static and dynamic reactive plant and associated switchgear and transformation regardless of the voltage level; and	Murraylink transmission system assets include static and dynamic reactive plant and associated electronic switchgear located at Red Cliffs and Berri.

Requirement	Murraylink Compliance
F. all system controls required for monitoring and control of the integrated transmission system including remote monitoring and associated communications, load shedding and special control schemes and voltage regulating plant required for operation of the integrated transmission system.	Murraylink transmission system assets include system controls required for monitoring and control of the integrated transmission system including remote monitoring and associated communications, load shedding and special control schemes and voltage regulating plant required for operation of the integrated transmission system at Red Cliffs and Beri.
(4) The types of transmission system assets that are directly attributable to prescribed common transmission services are limited to:	Murraylink has no transmission system assets that are directly attributable to prescribed common transmission services.
A. substation buildings, substation land and associated infrastructure (such as fences, earthing equipment etc);	See above.
B. power system communications networks;	See above.
C. control systems;	See above.
D. network switching centres (excluding generation and system control functions);	See above.
E. static and dynamic reactive control plant and associated switchgear;	See above.
F. spare plant and equipment including that installed at substations;	See above.
G. fixed assets such as buildings and land that are not associated with substation or line easements, (head office buildings, land for future substations etc.); and	See above.
H. motor vehicles and construction equipment.	See above.
(b) In its proposed pricing methodology, a TNSP may include additional types of transmission system assets that it considers are directly attributable to one or more category of prescribed transmission service.	Murraylink does not seek to include additional types of transmission system assets to any category of prescribed transmission services.
(c) A TNSP must justify the inclusion of any additional types of transmission system assets referred to in section 2.4(b) of these guidelines and the AER will consider each when assessing the TNSP's proposed pricing methodology.	Murraylink does not seek to include additional types of transmission system assets to any category of prescribed transmission services.

2.5 Disclosure of information

Requirement	Murraylink Compliance
(a) A TNSP should develop its proposed pricing methodology so that it can be publicly released by the AER.	Murraylink has developed this proposed pricing methodology so that it can be publicly released by the AER.
(b) If a TNSP identifies information which it considers to be confidential or commercially sensitive and it considers that providing that information to the AER is necessary in order to demonstrate that its proposed pricing methodology complies with the National Electricity Rules, it should include that information in a confidential version of its proposed pricing methodology and provide it to the AER.	Murraylink has not identified any confidential or commercially sensitive information in this proposed pricing methodology.
(c) The AER will not publicly disclose a confidential version of a proposed pricing methodology.	Noted.
(d) The AER considers that confidential or commercially sensitive information is likely to include details of, or information that could readily be used to infer an individual transmission customer's price or charge, premises, negotiated discounts, prudential requirements or other commercial arrangements relating to its electricity supply.	The information contained in Murraylink's pricing proposal is not likely to include details of, or information that could readily be used to infer an individual transmission customer's price or charge, premises, negotiated discounts, prudential requirements or other commercial arrangements relating to its electricity supply.
(e) If a TNSP considers that other information should not be made publicly available, it must justify its claim for confidentiality to the AER.	Murraylink is not claiming confidentiality for this proposed pricing proposal.
(f) If the AER disagrees with a TNSP's claim that information provided to it is of a confidential or commercially sensitive nature, the AER will:	See above.
(1) notify the TNSP of its view, and	See above.
(2) allow the TNSP to withdraw the information or rescind its claim for confidentiality.	See above.
(g) If information is withdrawn under 2.5(f) of these guidelines the AER will:	See above.
(1) not take the information into consideration when assessing the TNSP's proposed pricing methodology, and	See above.
(2) not publicly disclose that information.	See above.