

# Undertaking to the Australian Energy Regulator for the period commencing 1 July 2019 and ending on 30 June 2022.

Given for the purposes of section 59A of the National Electricity (Victoria) Law by Australian Energy Market Operator Limited (ABN 94 072 010 327)

## 1. Person giving this undertaking

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- 1.1. The Undertaking is given to the Australian Energy Regulator (AER) by Australian Energy Market Operator Limited (ABN 94 072 010 327) of Level 22, 530 Collins Street, Melbourne, Victoria 3000 (AEMO) for the purposes of section 59A of the National Electricity (Victoria) Law (NEL).

## 2. Background and capacity

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- 2.1. AEMO gives this Undertaking in its capacity as a provider of shared transmission services in respect of which it is taken to be a Transmission Network Service Provider (TNSP) for the purposes of AEMO's declared network functions as applied to AEMO for the Victorian declared shared network pursuant to section 32 of the National Electricity (Victoria) Act 2005
- 2.2. The revenue and pricing of TNSPs is regulated by Chapter 6A of the National Electricity Rules (NER).
- 2.3. Pursuant to clause 6A.1.6 of the National Electricity Rules Chapter 6A applies to AEMO in respect of the provision of shared transmission services by means of, or in connection with, a declared shared network subject to the exclusions, qualifications and modifications set out in Schedule 6A.4.
- 2.4. The AER is responsible for the economic regulation of services provided by AEMO by means of the Victorian declared shared network, to the extent provided for under Chapter 6A of the NER, including responsibility for making determinations on AEMO's proposed pricing methodology.
- 2.5. In accordance with clause S6A.4.2(f) of the NER, AEMO must, as and when required by the AER, submit to the AER a proposed pricing methodology relating to shared transmission services that are prescribed TUOS services or prescribed common transmission services (prescribed shared transmission services).
- 2.6. The AER made a transmission determination approving the revised pricing methodology AEMO proposed for its 2014–19 regulatory control period.

## 3. Requirement for Undertaking by AEMO

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- 3.1. AEMO has been considering the many recent changes to the way in which electricity is produced, supplied and consumed in the Victorian declared shared network and across the National Electricity Market (NEM), and the impact of these issues on transmission network services and pricing, including:
  - 3.1.1. Large and increasing penetration of large and small scale distributed solar generation and batteries.
  - 3.1.2. Growth in rooftop solar installations and other distributed energy resources means an increasing number of customer connection points export electricity into the local network, with some distribution feeders having a net flow into the transmission network. The original design of TUOS pricing assumed one-way flow.

- 3.1.3. Transmission connected battery and other storage devices are expected to further increase in the near future and the question of whether they should attract TUOS charges when charging (i.e. acting in “load mode”) is a question that requires a consideration by industry.

AEMO considers that these issues require a wider consultation and discussion with all relevant industry participants, regulators and government to form a consistent industry wide approach to reflecting these issues in transmission pricing methodologies and associated revenue determinations across the NEM. This is necessary to provide greater certainty for investors in electricity infrastructure and reduce the likelihood that differential transmission pricing will drive locational investment decisions.

- 3.2. Since this Undertaking was originally accepted by the AER in June 2019, developments in the integration of energy storage systems and the COVID-19 pandemic have caused considerable delay in the process of developing AEMO’s revised pricing methodology.
- 3.3. The difficulty in resourcing and engaging with stakeholders during the pandemic have meant that meaningful consultation with industry cannot be achieved by the original timeframe to allow a submission to the AER by September 2020.
- 3.4. Since this Undertaking was originally accepted by the AER, in order to achieve the wider consultation and discussion with all relevant industry participants required to submit a new pricing methodology, AEMO has achieved the following:
  - 3.4.1. Established an AEMO project team which is resourced to identify issues, assess options including modelling where required, consult on those options, consider the feedback and develop the required submission to the AER of the proposed revised pricing methodology;
  - 3.4.2. Consolidated and refined the issues that require either clarification or modification in the revised pricing methodology;
  - 3.4.3. Gathered further data and evidence of the trends in net negative flows at *transmission network connection points* and developed a better understanding of its effects;
  - 3.4.4. Modelled how the significant new network investment within Victoria will be allocated to customers under the current methodology;
  - 3.4.5. Identified all of the stakeholders with an interest in this project and developed a stakeholder strategy.
- 3.5. As a result of the issues caused by the COVID-19 pandemic, AEMO considers that the period of AEMO’s pricing methodology should be from 1 July 2019 to 30 June 2022 in order to adequately consult on the issues discussed in section 3.1 above.
- 3.6. Accordingly, AEMO gives this Undertaking to continue to set prices for shared transmission services in accordance with the terms of the approved pricing methodology for the period 1 July 2014 to 30 June 2019, for the period commencing 1 July 2019 and ending on to 30 June 2022.

- 3.7. Under section 59A of the NEL, the AER may accept a written undertaking given by a person in connection with a matter in relation to which the AER has a function or power under the NEL or the NER.
- 3.8. The AER is satisfied that this Undertaking, and AEMO's compliance with it, alleviates any concerns that the AER may have as a result of AEMO not having a pricing methodology approved by the AER for the period 30 June 2019 to 30 June 2022 by providing certainty that AEMO will continue to comply with the pricing methodology approved by the AER as part of a transmission determination that applies to AEMO, and any other applicable requirements in the Rules, when AEMO is setting the prices that may be charged for the provision of prescribed transmission services for the period commencing 1 July 2019 and ending on 30 June 2022 and that AEMO will develop a proposed pricing methodology to be submitted to the AER with sufficient time for the proposal to be assessed by the AER prior to the expiry of this undertaking.

#### 4. Commencement

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- 4.1. This Undertaking came into effect when:
  - 4.1.1. this Undertaking was originally executed by AEMO (being 12 June 2019); and
  - 4.1.2. the AER accepted the Undertaking so executed (being 14 June 2019).(Commencement Date)
- 4.2. The AER originally accepted this Undertaking from the Commencement Date to extend the pricing methodology validity for the period 1 July 2019 to 30 June 2021. This Undertaking is varied under clause 5.2 effective from the Commencement Date to vary the period of the pricing methodology to the period commencing 1 July 2019 and ending on 30 June 2022.

#### 5. Expiry

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- 5.1. Subject to clauses 5.2 and 5.3, this Undertaking expires on 30 June 2022.  
(Expiry Date).
- 5.2. AEMO may seek to withdraw or vary this Undertaking at any time, but this Undertaking will be taken to be withdrawn or varied on the date on which the AER consents to such withdrawal or variation in accordance with section 59A of the NEL.
- 5.3. The AER may revoke its acceptance of this Undertaking if the AER becomes aware that any information provided to it was incorrect, inaccurate or misleading.
- 5.4. The AER may, at any time, expressly waive in writing any of the obligations contained in this Undertaking or amend the date by which such obligation is to be satisfied.

#### 6. Undertaking

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- 6.1. AEMO undertakes for the purposes of section 59A of the NEL that from 1 July 2019 until 30 June 2022 the costs which AEMO incurs in providing shared transmission services to users of the Victorian Declared Transmission System (DTS) including the costs of planning of future requirements and the procuring of augmentations in the DTS (known as the Maximum Allowed Revenue (MAR)) will be recovered by AEMO through charges to

transmission customers based on prices calculated in accordance with the document titled “Approved Amended Pricing Methodology For Prescribed Shared Transmission Services for 1 July 2014 to 30 June 2019” dated 15 May 2015 as approved by the AER.

6.2. For the avoidance of doubt, given the unique nature of large scale batteries at transmission connection points, consistent with the approach of other TNSPs as communicated to AEMO, transmission use of system charges will not be determined or charged in respect of existing or new connection points at which large scale batteries are connected, either in respect of supply (discharging), or consumption (charging), including the following existing facilities:

6.2.1. Ballarat Energy Storage System

6.3. AEMO and the AER will publish this Undertaking on their respective websites within five business days of the Commencement Date.

6.4. AEMO will notify the AER in writing within seven days of any failure to charge transmission customers in accordance with this Undertaking.

## 7. No derogation

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This Undertaking does not prevent the AER from taking enforcement action at any time whether during or after the Term in respect of any breach by AEMO of any term of this Undertaking.

## 8. Costs

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AEMO must pay all of its own costs in relation to this Undertaking

## 9. Notices

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9.1. Any notice or communication to the AER pursuant to this Undertaking must be sent to:

Name: CEO  
Address: GPO Box 520  
Melbourne VIC 3001

9.2. Any notice or communication to AEMO pursuant to this Undertaking must be sent to:

Name: CEO  
Address: Level 22, 530 Collins Street  
Melbourne VIC 3000

9.3. Notices are taken to be received three Business Days after posting (or seven Business Days after posting if sent to or from a place outside Australia).

9.4. AEMO must notify the AER of a change to its contact details within three Business Days.

9.5. Any notice or communication will be sent to the most recently advised contact details and subject to clause 9.3 will be taken to be received.

## 10. Definition and interpretation

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10.1. Definitions

The meanings of the terms used in this Undertaking are set out below.

<b>Term</b>	<b>Meaning</b>
AEMO	has the meaning given to that term in clause 1
AER	has the meaning given to that term in clause 1
Business Day	has the meaning given to that term in the NEL
Commencement Date	has the meaning given to that term in clause 4
Expiry Date	has the meaning given to that term in clause 5
NEL	means the National Electricity Law set out in the Schedule to the <i>National Electricity (South Australia) Act 1996</i> of South Australia, as in force for the time being which, pursuant to section 6 of the <i>National Electricity Act (Victoria) Act 2005</i> :  (a) applies as a law of Victoria; and  (b) as so applying may be referred to as the National Electricity (Victoria) Law
NEM	means the National Electricity Market
NER	means the National Electricity Rules
Term	means the period commencing on the Commencement Date and ending on the Expiry Date
Undertaking	means this documents (including any schedules or annexures to this document) as varied from time to time under section 59A of the NEL.

## 10.2. Interpretation

In the interpretation of this Undertaking, the following provisions apply unless the context otherwise requires:

- a) A reference to this Undertaking includes all of the provisions of this document including its schedules
- b) Headings are inserted for convenience only and do not affect the interpretation of this Undertaking
- c) If the day on which any act, matter or thing is to be done under this Undertaking is not a Business Day, the act matter or thing must be done on the next Business Day
- d) A reference in this Undertaking to any law, 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:

- e) A reference to this Undertaking to any company includes a company over which that company is in a position to exercise control within the meaning of section 50AA of the Corporations Act;
- f) A reference in this Undertaking to any agreement or document is to that agreement or document as amended, novated, supplemented or replaced;
- g) A reference to a clause, part, schedule or attachment is a reference to a clause, part, schedule or attachment of or to this Undertaking;
- h) An expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency;
- i) Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning;
- j) A word which denotes the singular also denotes the plural, a word which denotes the plural also denotes the singular, and a reference to any gender also denotes the other genders;
- k) A reference to the words 'such as', 'including', 'particularly' and similar expressions is to be construed without limitation;
- l) A construction that would promote the purpose or object underlying this Undertaking (whether expressly stated or not) will be preferred to a construction that would not promote that purpose or object;
- m) A reference to:
  - 1) A thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
  - 2) A party includes its successors and permitted assigns; and
  - 3) A monetary amount is in Australian dollars.


# Executed as an undertaking

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## Australian Energy Market Operator

Executed by Australian Energy Market Operator pursuant to section 59A of the National Electricity Law

sign here

  
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On behalf of Australian Energy Market Operator

\_\_\_\_\_  
Print name

  
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\_\_\_\_\_  
date

11 September 2020  
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## Australian Energy Regulator

Executed by the Australian Energy Regulator pursuant to section 59A of the National Electricity Law

sign here

  
.....  
On behalf of the Australian Energy Regulator

\_\_\_\_\_  
Print name

  
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\_\_\_\_\_  
date

15 September 2020  
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