

Please note that the information presented in this document were developed to enable discussion at the Financial Consultation Committee.

Meeting 2 Action Responses

Finance Consultation Committee
7 June 2021

Additional Detail on 2021-22 TUOS Charges

2021-22 TUOS Budget

- AEMO's Transmission Use of System (TUOS) charges recover the costs for providing shared transmission network services in Victoria. The TUOS prices are calculated in accordance with the National Electricity Rules (NER) and AEMO's Pricing Methodology.
- TUOS charges for 2021-22 are budgeted to be \$602.95 million, which is \$11.4 million (1.9%) higher than in 2020-21. The majority of this increase is related to investment in the Victorian transmission network that is required to maintain reliability and lower the cost of electricity supply.
- Key drivers of the changes are:
 - A \$10.0m increase relates to a combination of higher transmission easement tax and costs relating to the Victorian Government System Integrity Protection Scheme project. These increases are partially offset by reduced costs relating to the procurement of Western Murray System Strength Remediation services and a lower AusNet Services regulated assets revenue requirement.
 - A \$15.2m increase is due to a higher charge to the Victorian jurisdiction for the use of the network in other jurisdictions, lower estimated Settlement Residue Auction proceeds, and lower settlement residue income for the Victorian region as a result of lower estimated spot prices.
 - Offsetting the increase is the return of the estimated \$13.8m 2020-21 surplus and lower AEMO National Transmission Planner (NTP) costs

2021-22 TUOS Budget (cont.)

- The shared transmission network services prices apply for the financial year 1 July 2021 to 30 June 2022 and comprise:
 - Locational charges.
 - Non-locational charges.
 - Common service charges.
- Each of these components has seen an increase, and they are all affected by an increase in overall TUOS revenue requirements and a reduction in overall energy use and maximum demand during last year.
- AEMO recently provided an update on the Shared Transmission Network Services Prices in Victoria for the period 1 July 2021 to 30 June 2022 and can be found at the link below:

https://www.aemo.com.au/-/media/files/electricity/nem/participant_information/fees/2021/electricity-transmission-use-of-system-prices-1-july-21-30-june-22.pdf?la=en

Additional Detail AEMO's Financial Sensitivity to Interest Rate Movement

Interest rate Sensitivity

AEMO FY22 Budget

This sensitivity shows in the impact of a 2% increase in interest rates on AEMO debt from FY23 onwards.

Higher interest rates added to debt

The analysis presented assumes the full impact of higher interest rates is absorbed in AEMO debt – resulting in a \$9.8m increase in the debt in 2023 and a further \$7.1m in 2024.

Assuming some of the impact is passed through to customers via higher prices

- The overall impact on Fees and Tariffs is ~1.1% in FY24
- Further gradual price rises would be required to return the debt to its pre interest rate increase level

