

Approved response

The Australian Energy Regulator is responsible for the economic regulation of electricity transmission businesses such as Transgrid. We do this by setting the maximum amount of revenue that price regulated energy networks can earn every five years and, annually, the price they can charge consumers for regulated services.

As discussed in our submission, the annual revenue for a network business for each year of a regulatory period is determined using a building blocks approach, which looks at key cost components including the depreciation of the regulated asset base or return of capital, to return the initial investment to investors over time.

Depreciation is the amount provided so capital investors recover their investment over the economic life of the asset (return of capital). To help forecast depreciation, Transgrid submits standard asset lives for various asset classes including transmission towers for AER's approval and subsequent use as part of the depreciation aspect of their decision.

For the 2023-28 period, the AER accepted Transgrid's proposed asset lives in respect of the forecast capex including that Transmission lin (from 2018 onwards) would have a standard asset life of 50 years applied to them. Further information can be found in Attachment 4 of the final decision [here](#).

When the AER makes decisions about standard asset lives, this is generally about the "economic life" of the asset, which can be different from the "technical" life of the asset. Sometimes assets fail before or after the expected life, which depends on many factors that may or may not be within the control of the Network business (i.e. Transgrid). Consequently, decisions on whether or not something should be replaced is not the AER's decision but an operational decision that is the responsibility of the network business in efficiently managing its assets.

Legislative Assembly Committee on Environment and Planning – Inquiry into the electricity outages affecting Far West NSW October 2024

Supplementary questions following 17 March 2025 hearing:
Australian Energy Regulator

- 1. Does the National Electricity Law and Rules have any provision regarding the billing of electricity consumers in circumstances when energy supply is disrupted? Has AER identified any issues of concerns regarding energy retailers in the Far West and their billing practices over the period of the outages?**

Answer:

The National Energy Retail Law and Rules set out billing requirements for retailers. These do not contain any express prohibitions on the billing of energy (electricity and gas) customers in circumstances where supply is disrupted.

The AER relies on a range of intelligence gathering channels to monitor billing practices, including reports from Ombudsman, our consumer advocate network or via our Contacts Centre. We have not received any reports from the Energy & Water Ombudsman NSW (EWON), consumers or consumer advocates relating to this issue to date.

Retailers are required to self-report billing related issues on a six monthly basis. The Broken Hill outage took place during half yearly report for the period ending 31 December 2024, with self-reports for that period required to be submitted by 28 February 2025. One retailer reported breaches of rule 24 of National Energy Retail Rules, which requires retailers to issue bills to small customers at least once every 100 days. The retailer reported that these breaches were associated with the Broken Hill incident as a key contributing factor to the breaches, as follows:

“Billing delays can be caused by a number of reasons, most commonly due to internal account maintenance or remediations. For this period, the key drivers were proactive remediations to ensure customers would be billed appropriately and accurately and an extreme weather event in Broken Hill, NSW which affected NSW customers and resulted in rolling blackouts. [retailer] deferred affected customers bills for a period of an additional 30 days.”

The reported delayed billing breaches affected 893 NSW customers, however we do not know if all impacted customers were in connection with the Broken Hill event. The AER is currently assessing this report of non-compliance.

It is possible that other retailers reported billing non-compliance which relates to the Broken Hill event but did not expressly notify the AER of that connection.

Legislative Assembly Committee on Environment and Planning – Inquiry into the electricity outages affecting Far West NSW October 2024

Supplementary questions following 17 March 2025 hearing:
Australian Energy Regulator

- 2. Can you explain why generator performance standards have not been developed that would allow the AGL's BESS or Tilt Renewable projects in the region to support the Far West grid when in islanded mode?**

Answer:

When setting up generator performance standards (GPS), the relevant participant negotiates with a network service provider (who is advised on some matters by the Australian Energy Market Operator (AEMO)) on the level of performance for the equipment they are seeking to connect to the power system. Both the network service provider and AEMO may refuse to agree to a proposed negotiated access standard if the connecting equipment would adversely effect system security or the quality of power supply to other network users. While the AER monitors the compliance of participants with their GPS, we do not have a role in developing a generator's GPS.

There is no obligation in the National Electricity Rules that expressly requires a generator to be able to operate in an islandable state.

Legislative Assembly Committee on Environment and Planning – Inquiry into the electricity outages affecting Far West NSW October 2024

Supplementary questions following 17 March 2025 hearing:
Australian Energy Regulator

- 3. Is there currently any regulatory requirement that a network service provider proactively notify any regulator or government agency of a decision which could impede on its ability to meet a required level of redundancy in case of a contingency event to the system security?**

Answer:

The AER is not aware of any such requirement. The National Electricity Rules require transmission and distribution networks to ensure their systems and infrastructure are properly operated and maintained, including by using good electricity industry practice and undertaking compliance programs to ensure reliable operation and adherence to performance requirements. However, there are no express requirements in the National Electricity Rules for network service providers to proactively notify the AER of a decision which could impede their ability to meet a required level of redundancy in case of a contingency event to the system.

Where binding reporting requirements do not apply, we receive voluntary self-reports from regulated businesses or the Australian Energy Market Operator (AEMO) where they have identified breaches of national energy laws through their own internal monitoring and quality assurance processes.

Transmission and distribution networks are required to self-report to the Independent Pricing and Regulatory Tribunal (IPART) on their performance and compliance with the conditions of the electricity networks licensing regime. IPART would be best placed to advise if its regime contains requirements for network service providers to proactively notify of a decision which could impede the ability of those networks to meet a required level of redundancy in case of a contingency event to the system security.