Office of Energy and Climate Change

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ELECTRICITY INFRASTRUCTURE ROADMAP

Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020) Exemption Administration Process

May 2022

Acknowledgement of Country

NSW Treasury acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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Introduction

The Electricity Infrastructure Roadmap (the Roadmap) is the NSW Government's plan to transform our electricity sector into one that is cheap, clean and reliable. It is enabled by the *Electricity Infrastructure Investment Act 2020* (EII Act), which passed into law with strong bi-partisan support in December 2020.

The Roadmap will facilitate the declaration of renewable energy zones, authorise new network infrastructure, and encourage private investment in new generation, long duration storage and firming infrastructure. In contrast to previous programs aimed at building a renewable energy sector, the Roadmap's goal is to reduce the cost of the business-as-usual energy system for all NSW consumers.

Under section 56(1) of the EII Act, the Australian Energy Regulator (AER), as the regulator appointed for Part 7 of the EII Act, is required to determine an amount being a 'contribution determination', that the scheme financial vehicle (SFV) requires to make payments from the Electricity Infrastructure Fund (established under section 53 of the Act) (the Fund). Payments from the Fund generally include Roadmap costs and liabilities, provided such payments fall within the scope of section 55 of the EII Act (Roadmap costs). Under section 58(1), the SFV may issue contribution orders allocating an amount of the contribution determination to distribution businesses in NSW. Each distribution business is to collect its amount under the contribution order from its customers.

The scheme established under section 58(1) is a 'jurisdictional scheme' in accordance with clause 6.18.7A of the National Electricity Rules (NER). This permits distribution businesses to pass on their respective contribution order amounts (being a 'jurisdictional scheme amount' under the NER) to customers, via retailers. Distribution businesses must include jurisdictional scheme amounts in their annual pricing proposals. This cost recovery mechanism is consistent with other jurisdictional schemes such as the NSW Climate Change Fund.

Section 58(6) of the EII Act permits regulations to be made for the circumstances in which a distribution business is or is not authorised to recover part of its contribution order from certain exempt persons. Exempt persons are:

- persons exempt from the Energy Savings Scheme (ESS) under section 22 of Schedule 4A of the *Electricity Supply Act 1995* (ESA); or
- persons buying electricity to use in the production of hydrogen energy.

This paper sets out the framework developed to administer Roadmap exemptions. It outlines:

- the process for determining which entities are exempt
- a mechanism for exempting those entities from payment.

The Office of Energy and Climate Change (OECC) has consulted with key stakeholders including NSW distribution businesses, the AER and retailers. The exemptions administration process is the result of this collaboration and is agreed upon by all parties.

Exempt entities

Section 58(6) of the EII Act permits regulations to be made for the circumstances in which a distribution business is or is not authorised to recover part of its contribution order from entities that are also exempt from the ESS. The Minister may only grant exemptions under Division 5 of Schedule 4A of the ESA, if satisfied the electricity is being used by that person:

- in connection with an industry or activity that is both emissions intensive and trade exposed (EITE) (EITE entity); or
- to produce green hydrogen (green hydrogen producers)[1].

Regulations to the ESA may make further provision for determining:

- whether an industry or activity is EITE, and electricity is taken to be used to produce green hydrogen
- the basis on which an industry or activity is considered to be an EITE, and electricity is taken to be used to produce green hydrogen[2].

Identifying exempt entities

In September each year, OECC will receive 'protected information'[3] from the Clean Energy Regulator (CER). This data will specify which entities have been granted exemption from the Renewable Energy Target (RET) for that calendar year. OECC uses this data to create a provisional list of EITE entities that may be eligible for exemption from the ESS. OECC will then carry out an assessment to develop a list of sites carrying out an activity that are eligible for an exemption from Roadmap costs.

Green hydrogen producers are not eligible for exemption under the RET. This is due to the production of green hydrogen being inherently a low-emission activity. Green hydrogen producers will apply directly to OECC for exemption from the ESS.

Once the Minister is satisfied that persons are eligible and meet the required criteria, an Order is published in the Gazette outlining the exempt person and exemption details. The Order is typically published in December. For the purposes of exemption from Roadmap costs, exemptions will apply from the financial year following gazettal of the Ministerial Order.

[1] Section 22(3) of Schedule 4A of the ESA.

[2] Section 24 of Schedule 4A of the ESA.

[3] 'Protected information' is defined under the *Clean Energy Regulator Act 2011* (Cth).

Calculating exemption entitlement

Exemptions from Roadmap costs are calculated based on the previous financial year's actual peak demand and volumetric consumption. EITE entities are exempt from 90% of the generation component of their allocation of Roadmap costs.

Green hydrogen producers will receive an exemption from both the generation and capacity components of their allocation of Roadmap costs. However, the rate of exemption will depend on the year a facility is commissioned, and when production starts. This information will be specified in the Ministerial Order published under the ESS exemption regime.

Green hydrogen producers with facilities commencing production up to and including calendar year 2028 will have an exemption rate of 90% of their allocation of all Roadmap costs (that is, both generation and capacity components). As the green hydrogen industry is in its infancy, this level of exemption is considered appropriate to ensure the industry's early-stage viability.

Green hydrogen producers with facilities commencing production in calendar year 2029 or 2030, will have reduced exemption rates of 60% and 30% of their allocation of all Roadmap costs respectively. This reflects the industry's growing maturity and viability, reducing the need for industry support.

A facility will be deemed to commence production in the first year it successfully applies for exemption from the ESS. For example, if a facility is successful in applying for exemption in the exemptions Order gazetted in December 2028, the exemption under section 58(6) of the EII Act will apply from 1 July 2029 and that facility will be considered to have commenced production in 2028.

For green hydrogen producers with facilities commissioned after 2030 no exemption will apply.

Exemption rates determined by the above rules will apply to green hydrogen producers for 10 years from the Minister's Order granting the exemption, unless the customer ceases production.

Table 1 outlines the percentage exemption for hydrogen facilities.

Table 1: Schedule for green hydrogen exemptions

Year hydrogen facility is commissioned	Financial year of first exemption	% exemption from allocation of all Roadmap costs	Period of exemption
2028 or earlier	2029–30 or earlier	90%	10 years
2029	2030–31	60%	10 years
2030	2031–32	30%	10 years
2031 onwards	Not applicable	0%	Not applicable

Exemption application

Section 58(6) of the EII Act enables provision of an exemption from Roadmap costs for both EITE entities and green hydrogen producers; however, the exemptions for these entities are different:

- EITE entities are exempt from the generation component of their allocation of Roadmap costs
- green hydrogen producers are exempt from both the generation and capacity components of their allocation of the Roadmap costs.

Entities eligible for each type of exemption are proposed to follow separate application processes.

How do entities apply for exemption?

The pathway for applying for exemption depends on the type of activity being carried out by a person.

EITE entity application process

Each year, EITE entities will apply to the CER to become eligible for an exemption from the RET. Applications close on or around 31 March each year.

Entities exempt from the RET will then be assessed by OECC for eligibility for exemptions from ESS and Roadmap costs. OECC will use information provided by the CER to guide which entities should be assessed. The eligibility assessments by OECC commence in September each year. All exempt EITE entities will be included on the Ministerial Gazette issued around December each year and will apply to the following financial year period.

It is not mandatory for entities to receive exemption from the RET in order to be eligible for exemption from the ESS. Entities not exempt from the RET will need to undergo additional assessments to satisfy the Minister that the activity is eligible.

Green hydrogen producer application process

The production of green hydrogen will not be exempt from the RET. Green hydrogen producers will need to apply to OECC for exemption from the ESS and their allocated Roadmap costs.

Green hydrogen producers will complete a single application, covering all relevant exemption schemes.

Further detail on the application process will be provided as part of the implementation of the NSW Hydrogen Strategy.

National Meter Identifiers

Each year, the CER will provide information to OECC about entities that are exempt from the RET. OECC will assess if a RET exempt entity is also eligible for exemption from the ESS. As part of this assessment process, OECC determines which National Meter Identifiers (NMIs) are eligible for exemption.

NMIs **will not** be published on the exemption Order; however, they will be provided in the form of a confidential letter from the Minister to the relevant distribution business, SFV and the AER in its role as scheme regulator

Providing exempt NMIs to distribution businesses will enable distribution businesses to identify the correct exempt entity and calculate the exemption entitlement for each entity. This will allow the contribution orders to be determined in an equitable fashion, ensuring that exemptions are appropriately factored in and no distribution business is disproportionately impacted by exemptions.

The sum of these exemption entitlements will then be factored into the distribution business pricing proposal and recovered as jurisdictional scheme amounts[4] from non-exempt electricity usage, demand, capacity, or another charging parameter based on the distribution business's approved tariff structure statement.

Ministerial Gazette

Entities exempt from their allocation of Roadmap costs are listed on a Ministerial Order, published in the NSW Gazette, for the purposes of exemption from the ESS. This Order is typically published each December coming into effect on 1 January following publication. For the ESS, exemption applies for the calendar year following gazettal of the Order. For the EII Act, exemption from a person's allocated Roadmap costs applies for the financial year following gazettal of the Ministerial Order.

[4] 'Jurisdictional scheme amounts' are defined in the NER.

Jurisdictional schemes

Under the NER, the AER may determine that a scheme established under the laws of a National Electricity Market (NEM) jurisdiction is a jurisdictional scheme[5]. A jurisdictional scheme obligation may occur if an Act or instrument of a participating jurisdiction imposes obligations on distribution businesses[6]. If the AER determines a scheme is a jurisdictional scheme, a distribution business may pass on to customers its jurisdictional scheme amounts payable under the scheme. Distribution businesses must include jurisdictional scheme amounts in their annual pricing proposals[7]. A distribution business may access an 'overs and unders' mechanism to allow for inexact recovery of the amounts required to meet obligations[8].

Roadmap jurisdictional schemes

The EII Act is proposed to contain 2 jurisdictional schemes.

The first jurisdictional scheme (JS1) allows a distribution business to recover annual contribution order amounts issued by the SFV under section 58(1) of the EII act as a component of the contribution determination. These funds will be used to pay the SFV on a quarterly basis. This jurisdictional scheme obligation requires a distribution business to 'pay an amount into a fund', satisfying the payment element of the jurisdictional scheme eligibility criteria[9].

The application for JS1 was submitted and determined by the AER as a Jurisdictional Scheme in December 2021.

The second jurisdictional scheme (JS2) will require a distribution business to credit exempt entities against a charge otherwise payable for their allocation of Roadmap costs under section 58(6) of the EII Act. This jurisdictional scheme obligation will require a distribution business to credit an amount payable, satisfying the payment element of the jurisdictional scheme eligibility criteria.

It is proposed that amendments to the Electricity Infrastructure Investment Regulation 2021 (NSW) (EII Regulation) will prescribe the regulatory mechanism to implement the exemption obligation. The EII Regulation will establish JS2.

It is expected that the application for JS2 will be lodged with the AER for determination in mid-2022. This will follow the gazettal of associated regulations with the aim to have the jurisdictional scheme determined by the AER in August 2022.

Figure 1 highlights how both JS1 and JS2 cost pass-throughs to customers need to be included in a distribution business's annual pricing proposal.

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[5] See clause 6.18.7A(f)–(n) of the NER.

[6] 'Jurisdictional scheme obligation' is defined in the NER.

[7] See clause 6.18.7A(a) of the NER.

[8] See clause 6.18.7A(c) of the NER.

[9] See clause 6.18.7A(x) of the NER.

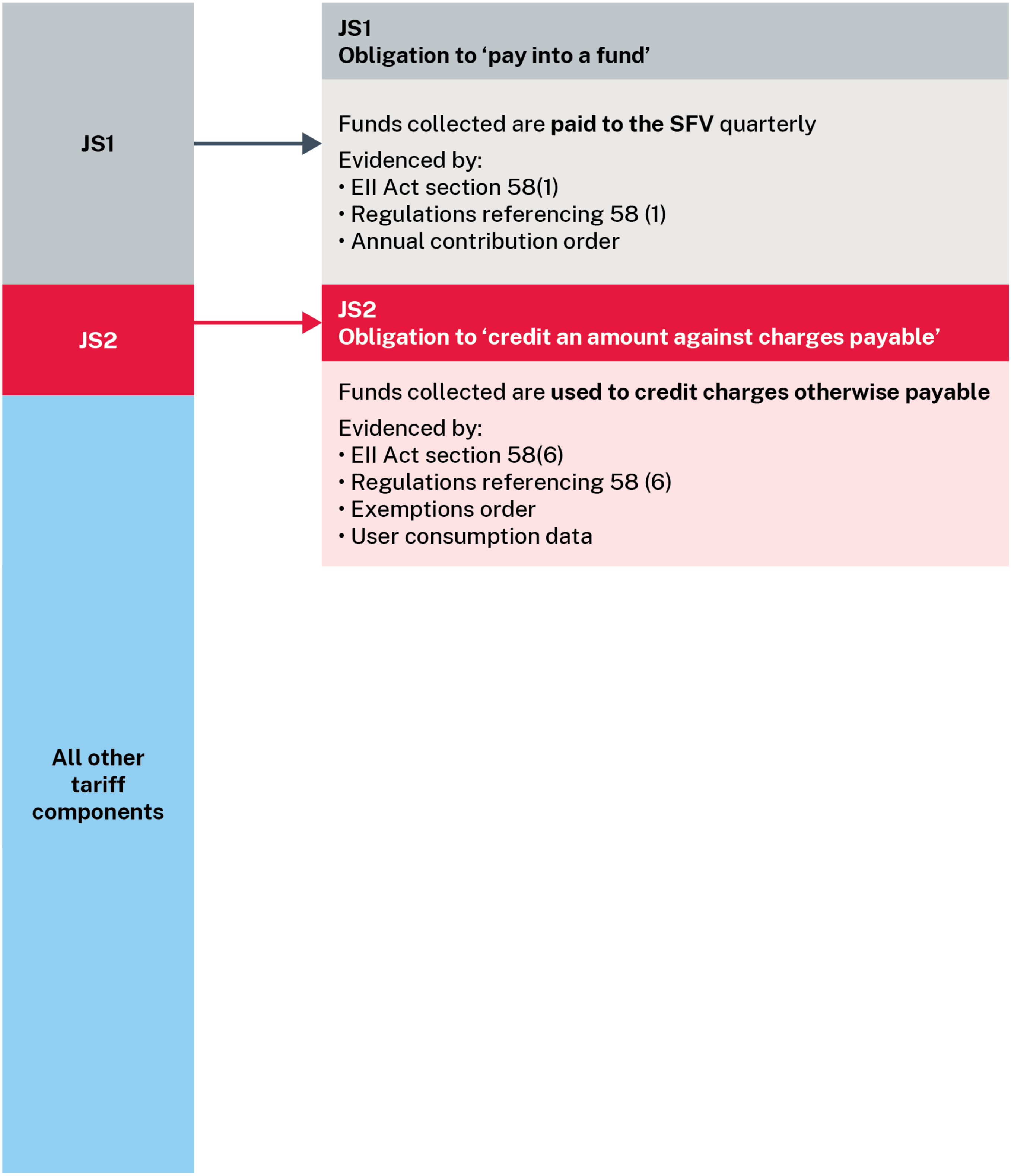

Figure 1: Roadmap cost pass-through in annual pricing proposals

Exemption timeline

A timeline for the proposed exemption administration process can be found in Appendix A.

Exemption administration process

This section outlines the steps in the exemption administration process including data provision, calculation and notifications, system set-up and administrative tasks during and after the exemption period.

1. Data provision

For each exempt NMI a distribution business must identify the annual volumetric energy delivery (in GWh) and peak demand (in MVA) for the previous financial year, where:

- volumetric energy delivery is the measured or estimated amount of electricity delivered to electricity customers from a distribution business's network, measured in GWh at the appropriate customer charging location
- peak demand is the aggregate amount of actual, non-coincident and raw electricity demand, measured in MVA, at the NMI metering point and at the trading interval when the aggregate amount is the highest. The intention is to capture the highest point of peak demand over the previous financial year. To ensure this is truly non-coincident, the point can occur at any time, irrespective of a distribution business's peak demand billing windows.

Distribution businesses must provide the SFV with the total volumetric energy delivered value and the total peak demand value for all exempt NMIs by mid-January each year. These values are used to adjust contribution order apportionment ratios so that distribution businesses with exempt entities are allocated Roadmap costs based on total consumption and demand, excluding any allocations for exemptions.

Contribution determination

Once all relevant information required for an annual contribution determination has been collated by the SFV, it is passed to the AER for its consideration and determination.

Under the Ell Act, the AER must gazette the contribution determination by 28 February before the beginning of each financial year to which the contribution determination is to apply, unless the Minister approves a later date[10]. It is anticipated that the AER could advise distribution businesses of their contribution order amounts earlier than the gazettal date.

The gazettal will include the following information:

- distribution businesses name
- quarterly payment amounts ($) and payment dates for each distribution business.

[10] Section 56(5) of the EII Act.

The contribution determination will also be published on the AER website alongside the following documents:

- contribution determination template (Excel)
- information as outlined in the AER's Contribution Determination Guideline.

If the AER does not publish a contribution determination by 28 February, the SFV may determine contribution amounts on its own initiative[11]. Any amount determined by the SFV in this scenario cannot exceed the amount reasonably required by the SFV to meet its liabilities as they fall due[12].

The AER published a draft Contribution Determination Guideline in May 2022, with the final Guideline due to be released in September 2022. The Guideline will detail the contribution determination process, outline the information to be collated by the SFV, and indicate where this information can be sourced.

Data sharing authority

OECC will request information from exempt entities in the annual exemption eligibility assessment for use in the exemption administration process.

This information may need to be shared with organisations, such as the AER, SFV and the relevant distribution business.

During the assessment process, OECC will request permission from the entities involved to share this information.

2. Calculation

By 1 March, each distribution business will have access to the information required to calculate an exemption amount per exempt NMI.

Table 2: Exemption calculation data requirements

Data required	Source of data	Provision of data	Due date of data
Exempt NMIs	OECC	Email	31 December
Exempt NMI's annual volumetric energy delivery (GWh) and peak demand (MVA) for the previous full financial year	Distribution business	Internally delivered	15 January
Contribution order amounts	AER	Contribution determination	By 28 February
Generation ratio (%) of total Roadmap costs	AER	Published on AER website	By 28 February

[11] Section 58(3) of the EII Act.

[12] Section 58(4) of the EII Act.

Calculating an exemption amount

Exempt EITE entities are entitled to a 90% exemption from their allocation of the generation component of Roadmap costs. These are attributable to amounts payable into the Fund under section 55(a) of the EII Act and are predominately costs from long-term energy service agreements (LTESAs) entered into under the EII Act.

Generation costs are apportioned to distribution businesses according to their total volumetric usage (consumption) after adjusting for exempt consumption.

Each distribution business must calculate an exemption amount in dollars equivalent to 90% of an EITE entity's allocation of the generation component of Roadmap costs based on the entity's historical consumption in the year t–1.

The exemption amount per exempt NMI equates to the NMI's share of generation costs, using historical consumption at year t–1, divided by the total non-exempt energy consumption.

Jurisdictional scheme amounts included in annual pricing proposals

OECC does not intend to recommend the Minister prescribe how distribution businesses apportion their share of Roadmap costs to customers. Distribution businesses will retain discretion to apportion their share of scheme costs, as approved by the AER.

Each March, distribution businesses submit an annual pricing proposal to the AER for approval. As part of this process, a distribution business includes all jurisdictional scheme cost pass-throughs in their tariff pricing. This ensures the distribution business collects the amounts they are required to pay under jurisdictional schemes.

The EII Act will have 2 jurisdictional schemes (JS1 and JS2) for inclusion in annual pricing proposals. The AER will review these scheme amounts to ensure JS1 matches the AER's contribution determination and JS2 matches the exemption amounts to be credited against charges payable by exempt entities. These amounts must be accurate for the pricing proposal to be approved.

No true-up process

As calculation of exemption amounts is based on consumption/peak demand from the previous financial year (or forecast values for newly established facilities) no true-up process is proposed.

Generally, there is little fluctuation in exempt entity electricity consumption year-to-year. As there is little change in usage, there are efficiency benefits for stakeholders from a simplified process without true-up provisions.

3. Notifications

Distribution businesses will calculate the relevant amounts for the exempt NMIs and include these in their annual pricing proposals.

Distribution businesses must also notify, by email, both retailers and OECC of the following information per exempt entity:

- exempt NMI
- exempt monthly amount ($) per NMI
- aggregated amount of exempt consumption and exempt peak demand.

OECC will use this information to advise exempt entities of the exemption credit they should expect on their bill each month in the upcoming financial year. Exempt entities can verify with their retailers that an exemption credit is payable.

The annual exemption amount is divided into 12 equal credits, to be applied each month by the distribution business, in the exempt entity's network invoice to the retailers. The retailers will pass on credits to exempt entities in their monthly bills.

4. Billing system set-up

Once annual pricing proposals have been submitted and before the exemption period begins (May–June), distribution businesses update their billing systems to reflect exemptions.

Exemption credits

Exemption credits are issued to exempt entities in 'real-time', meaning each credit is applied at the same time an invoice for network costs is issued. This 'real-time' offset is reflected in the invoicing and settlements between distribution businesses, retailers and exempt entities.

Mechanism to issue exemption credits

The NSW B2B Process Specification [13](B2B) is already used by distribution businesses to administer 'event charges' to consumers, via electricity retailers. These event charges can be fixed, such as the cost of a meter read, or quote-based if the amount is unique or complex.

Roadmap exemption credits will be delivered using the 'quote-based event charges' (QBEC) mechanism, with charges negative and therefore applying a credit.

The existing QBEC mechanism uses the protocols established under the B2B. The B2B sets out key information requirements for network invoicing and payments between distribution businesses and electricity retailers.

Another benefit of using B2B is the mandatory messaging between entities acknowledging receipt of information transfers and the early flagging of transfer errors. This provides confidence that the exemption credits are being properly recognised and accounted for.

[13] *NSW Business to Business (B2B) Process Specification – Network Billing*, edited July 2017.

Quote-based event charge (QBEC – 'Quebec') process

During each financial year, distribution businesses issue monthly QBECs to relevant retailers for exemption credits. These credits will be issued to align with the distribution business's billing schedule and retailers will pass these through to exempt entities.

QBECs facilitate a process whereby an exemption credit will be automatically passed onto exempt entities in retailer billing systems. Retailers will also be able to apply the credit to invoices they receive from distribution businesses, reducing the amount to be paid to distribution businesses in line with the jurisdictional scheme.

Each month, distribution businesses and retailers reconcile receipts and payments. The proactive reconciliation of accounts between businesses ensures exemption credits are passed through to exempt entities, creating a built-in compliance process.

QBEC will only apply to customers whose network charges are billed through a retailer. Where a distribution business bills a customer directly, the distribution business will apply exemption credits to customer invoices.

Table 3 highlights how the QBEC process operates within the overall exemption process.

Table 3: Overall exemption process

Task	DNSP	Retailer	Exempt entity
Record keeping	Calculate monthly exemption amount per exempt NMI, advise retailer and the Office s.58(6)	Update records to reflect upcoming monthly exemption per exempt NMI	Update records to reflect upcoming monthly exemption per exempt NMI
Recover scheme costs	Recover scheme costs for JS1 and JS2 from all customers	Pass-through scheme costs for JS1 and JS2 from all customers	Pay network bill, including JS1 and JS2 scheme costs, to retailer
Apply credits	Apply monthly exempt amounts as credits using QBECs JS2	Pass-through monthly credits from QBECs to exempt entity	Receive advised monthly exemption amount as a credit on bill
Reconcile payments	Reconcile payment from retailer to ensure QBECs processed correctly	Reconcile payment to DNSP to ensure QBECs processed correctly	–

Billing systems set in preparation for the new financial year's exemption credits

Prior to each financial year, distribution businesses will set their billing systems to issue a monthly exemption credit by QBEC to relevant retailers, matching the pre-determined exemption amount. Distribution businesses need to ensure the timing of monthly network charges, including Roadmap costs, falls within the associated exemption credit period. In this way, distribution businesses do not over-recover costs due to timing differences.

Retailers will know each exempt NMI exemption credit in advance and so will need to prepare their system to pass the credits through. Like for distribution businesses, these exemption credits must be passed through in the same billing period as Roadmap costs are recovered, to ensure there is no over-recovery due to timing differences.

Using the B2B protocol, a distribution business will use the code '200' in its network billing messaging to communicate an 'event charge' credit. Line items for Roadmap exemption credits will be identified using the 'Network Rate Code' field, with retailers alerted to the likely line item text as part of the exemption notification.

5. Actions during exemption period

The recovery of Roadmap costs and the associated exemption administration process will be based on a financial year cycle. Quarterly contribution orders will align with the 4 financial year quarters.

Quarterly contribution orders

Each financial year, the SFV will issue 4 contribution orders. These orders, based on the gazetted contribution determination, will outline the amount each distribution business is to pay to the SFV to cover Roadmap costs and liabilities.

The contribution period and schedule of payments, shown in Table 4, will align with the payment dates of the NSW Climate Change Fund and are set out in the EII Regulation.

Table 4: Schedule of distribution business contributions into the Fund

Contribution period	Quarterly payment schedule
1 July – 30 September	1 November
1 October – 31 December	1 February
1 January – 31 March	1 May
1 April – 30 June	1 August

Recovery of Roadmap costs

Distribution businesses will recover the required contribution order amounts as part of network charges paid by electricity consumers under the jurisdictional scheme JS1. JS1 amounts will be approved by the AER each year as part of the annual pricing proposal process for distribution businesses. Distribution businesses will then invoice retailers, including the jurisdictional scheme amount as part of Network Use Of System (NUOS) charges.

Recovery of exempt amounts

Distribution businesses will recover exemption credit amounts necessary to meet jurisdictional scheme JS2 using the QBEC mechanism.

Relationship between jurisdictional schemes and distribution business billing

Distribution business invoices for network costs to retailers will include cost recovery for both jurisdictional schemes (JS1 and JS2), and all other network charges as per the standard network tariff process.

Funds collected by distribution businesses as part of JS2 are used to offset the exemption credits issued to retailers.

Change of retailer

From time to time, exempt entities change electricity retailer, and these changes may not align with the exemptions cycle. To ensure the QBEC process runs smoothly and consistently, distribution businesses will only provide exemption credits to an *active* Financially Responsible Market Participant (FRMP), as recorded in the Market Settlements and Transfer Solutions (MSATS) database. This will be done as part of the invoicing cycle.

To ensure a new retailer is aware of an exemption entitlement, once the distribution business is alerted to a pending change in FRMP, it will advise the new retailer. This allows the new retailer to set up their systems to accommodate QBEC. The expected process is shown in Table 5.

Table 5: Retailer transfer process

Step	Activity	Recipient of QBEC credit
1	Customer enters into agreement for electricity supply with new retailer	Old retailer
2	New retailer initiates transfer in MSATS	
3	DNSP receives notification of transfer and notifies new retailer of exemption entitlement and credit schedule	
4	New retailer sets up systems to apply exemption credits	
5	Transfer completes	–
6	Previous retailer submits final invoice (This does not contain QBEC credit if for partial month.)	New retailer
7	New retailer commences billing	New retailer

If the timing of the transfer results in extra QBEC credit for the customer; that is, a customer's retail invoice is less than the value of the exemption credit, the retailer can either provide a refund or apply it against a future invoice. To ensure payments balance, credits are reconciled against the network invoice the retailer receives from the distribution business.

6. Actions after exemption period

The recovery of Roadmap costs and the associated exemption administration process is based on a financial year cycle.

Following the end of a financial year, the collections and credits will be reconciled against jurisdictional scheme obligations, using regulatory information notices (RINs). RINs must be submitted to the AER for approval each year.

The RINs note the following:

- the amount collected from electricity consumers under JS1 and JS2
- the amount credited to exempt entities under JS2
- the amount paid to the SFV under JS1.

Any surplus or deficit (imbalance) is accounted for by the NER 'overs and unders' recovery mechanism[14]. This ensures distribution businesses collect the required funds as per the jurisdictional schemes and credit the correct exemption amounts to exempt entities each financial year.

[14] See clause 6.18.7A(c) of the NER.

Compliance and auditing

Each financial year, credits for each exempt NMI will be known to all the parties involved in the exemption administration process. Compliance processes are required to ensure these credits are passed from distribution businesses, to retailers and then on to the relevant exempt entity.

Compliance

Both the QBEC mechanism and National Electricity Law (NEL) have built-in compliance processes.

Distribution business to retailers

Each month, distribution businesses invoice retailers for their monthly NUOS charges. These invoices are offset by credits issued by distribution businesses for regulated and unregulated charges and include the exemption credits issued by QBECs.

The net amount between the invoices and the credits is paid by retailers to distribution businesses and referred to as a settlement. Each month's settlement is reconciled by the relevant distribution business and retailer accounts departments to ensure payments reflect the issued invoices and credits. Any variances between settlements and corresponding invoices/credits are investigated and resolved by the respective teams.

This forms part of standard processes and is an inherent compliance check within the QBEC process.

Retailers to exempt entities

Under section 90 of the NEL all holders of a retail authorisation must meet suitability criteria. In addition to financial and organisational capability, NEL retail authorisation criteria include an assessment of a person's character or reputation, as these provide an indication (or perception) of likely future conduct. Should a retailer not pass on a credit, their honesty and integrity could be called into question and they could be in breach of their authorisation.

Exemption credits will be due at the same time each network invoice is issued. The exempt entity will therefore be aware of the credit payable each month as reflected on their bill.

Auditing

At the end of each financial year, distribution businesses submit RINs to the AER under existing NEM-wide processes, as required by the NER. RINs will include information on the collection of Roadmap jurisdictional scheme amounts and exempt entity credits.

RINs are audited by independent external auditors. External auditors review the exemption calculations and report whether exemptions have been calculated, collected and credited correctly. If the auditor finds that this process has not been followed, they will report this to the distribution business who must take steps to rectify any errors.

Each RIN is also to be signed off by distribution businesses' executives via a statement of endorsement ensuring the audit results are transparent.

This also ensures exemptions calculations, funds collection and the issuing of exemption credits via QBECs is externally audited and approved annually before the RINs are submitted to the AER.

The AER publishes the RINs submitted by the distribution businesses annually on the AER website. This provides transparency to stakeholders of the costs of the Roadmap and exemption credits.

The AER will provide exemptions information from the RINs to the Independent Pricing and Regulatory Tribunal (IPART) for inclusion in annual reports. This would include the total amount paid by each distribution business in exemption credits each year.

It is expected that any details on exempt entities or their individual exemption credits will not be shared with IPART or published.

Dispute resolution

The B2B has robust resolution and complaint handling protocols This includes the timelines, communications and how payments are to be made during the dispute resolution process.

However, no automatic controls or protections exist if a dispute is between a customer and a retailer, due to the exemption credit not being passed on. In this case, it is expected that a customer will be able to exert commercial pressure on the retailer to pass the credit on.

OECC recognises the importance of market forces in ensuring the exemption credits are passed from the retailers to customers. To reinforce this, OECC will contact the exempt entities each year to advise them of their exemption entitlement and encourage them to engage with their retailer to ensure it is passed on.

Amendments to this document

OECC may amend this paper to accommodate any issues found to exist in the implementation of this process if satisfied on reasonable grounds that amendments are not material.

For material amendments, the OECC will notify distribution businesses and the AER. If the amendment affects interactions with retailers, retailers will also be notified.

Notification of amendments can be in a form or manner OECC is satisfied will bring the proposed amendment to the stakeholders' attention.

All notified stakeholders will be given a reasonable opportunity (being not less than 15 business days from the date OECC gives notice of the proposed change) to make submissions. OECC will give due consideration to these submissions.

Shortened forms

Shortened form	Definition
AER	Australian Energy Regulator The AER is the regulator for Part 7 of the EII Act
B2B	NSW Business to Business (B2B) Process Specification – Network Billing, version 2.8, published 20 November 2017
CER	Clean Energy Regulator
DNSP or distribution business	Distribution Network Service Provider in NSW
DUOS	Distribution Use Of System A charge imposed by a distribution business on electricity users
EII Act	*Electricity Infrastructure Investment Act 2020* (NSW)
EII Regulation	Electricity infrastructure Investment Regulation 2021 (NSW)
EITE	Emissions intensive trade exposed
ESA	*Electricity Supply Act 1995* (NSW)
ESS	Energy Savings Scheme, as established under Schedule 4A of the ESA
FRMP	Financially Responsible Market Participant Usually an electricity retailer, as defined by the NEL
Fund	Electricity Infrastructure Fund established under section 53(1) of the EII Act and administered by the SFV
GWh	Gigawatt hour
IPART	Independent Pricing and Regulatory Tribunal
MSATS	Market Settlements And Transfer Solutions An IT system operated by the Australian Energy Market Operator to administer the electricity market
MVA	Megavolt amp
NEL	National Electricity Law *National Energy Retail Law (NSW) 2012*
NER	National Electricity Rules
NMI	National Meter Identifier
NUOS	Network Use Of System A charge imposed on electricity users for the use of network infrastructure. A collective term made up of DUOS and TUOS
OECC	Office of Energy and Climate Change, part of the NSW Treasury Cluster
QBEC	Quote-based event charges
RET	Renewable Energy Target
RIN	Regulatory Information Notice Annual operating data compiled by a DNSP and submitted to the AER
Roadmap	NSW Electricity Infrastructure Roadmap
SFV	The scheme financial vehicle, established under section 62 of the EII Act
TUOS	Transmission Use Of System A charge levied on electricity users for the use of transmission infrastructure

Appendix A: Exemption timeline