



FAQ Fact sheet

Embedded Generation Connections
1.5-5MW and above 5MW

AusNet
services

June 2021 FAQ's for changes to tax cost recovery for embedded generation connections

Relevant for: parties looking to connect an embedded generator or storage system of 1.5MW or greater capacity to our distribution network (typically 22kV or 66kV connections). "Embedded generation" in this context includes energy storage systems.

What is changing?

In line with AusNet Services' Electricity Distribution Price Review for 2021-2026, recently approved by the Australian Energy Regulator, from 1st July 2021 AusNet Services will include in any offers for connection of embedded generation above 1.5MW an amount to cover our tax costs arising from connection services revenues¹. Previously, this tax cost was not recovered from connecting parties and was instead recovered from our broad customer base.

Why is this change being made?

This change is being made in order to more fairly allocate our costs between customers. Prior to this change, our tax costs associated with embedded generation connections were recovered from our broad customer base including households and businesses, effectively representing a cross subsidy in favour of embedded generators.

The recent growth in the number of embedded generators connecting to our network means that the size of this cross subsidy has been increasing significantly. The change to tax cost recovery will remove this cross subsidy.

How much cost will it add to a connection project?

This can vary significantly between projects depending on the spend profile, asset depreciation profile and mixture of asset types. Pre-connection and other services undertaken under our Letter Agreement process will not be impacted by this change.

How does this change affect in-flight projects?

Firm Offers made to customers prior to 1st July 2021 will not be impacted by this change. We are currently including the tax cost in all Feasibility Study cost estimates, Detailed Enquiry cost estimates and Firm Offers under development.

For customers that have previously received a Feasibility Study or Detailed Enquiry cost estimate that does not include the tax cost component, we will offer at no charge to re-run the cost estimate including the tax cost component. Any other changes required to the cost estimate will be charged at our standard rates.

Has this change been approved by the regulator?

Yes, the Australian Energy Regulator approved this change in their final decision on our Electricity Distribution Price Review for 2021-2026.

<https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/ausnet-services-determination-2021-26>

What consultation was undertaken around this change?

This change was discussed with customer representatives and other stakeholders as part of our engagement to inform our Revised Revenue Proposal. The proposal was available for public comment on the AER's webpage prior to being approved by the AER.

¹This includes assets that are gifted to AusNet Services. The recent Full Federal Court decision in VID 237-240 Victoria Power Networks Pty Ltd v. Commissioner of Taxation on the tax treatment of gifted assets received by Distributors does not apply to assets gifted by Embedded Generators.