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Dear Mr Funston

**APA submission to the review of the market impact component (MIC) of the Service Target Performance Incentive Scheme**

Thank you for the opportunity to provide a submission to the review of the market impact component (MIC) of the Service Target Performance Incentive Scheme (STPIS).

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and over 692 MW of renewable generation and battery storage infrastructure. APA operates the Directlink, Murraylink and Basslink interconnectors in the National Electricity Market (NEM).

APA makes the following observations in respect of the operation of the Market Impact Component (MIC) of the STPIS and the proposed amendments:

- APA agrees with the principle that underpins including a MIC in the STPIS, and agrees that it should operate to incentivise TNSPs and interconnectors to decrease the frequency of planned or unplanned outages, or the duration of the outages in particular during periods when outages have a high market impact.
- However, APA agrees with views raised by other Transmission Network TNSPs at the stakeholder forum that the current form of the MIC of the STPIS does not effectively provide these incentives.
- Further APA notes that the role and functions of interconnectors are different from other TNSPs and this should be reflected in the nature of the Market Impact Component of the STPIS. The role of interconnectors are primarily focused on reducing wholesale price differences between regional markets rather than ensuring the ongoing connection of generation and demand to the network.
- Re planned outages:
  - When planning maintenance outages Interconnectors should be incentivised to identify outage windows that have minimal market impact. That is there is not anticipated to be large divergences in the wholesale spot price between the two interconnected regional reference prices.
  - While it is impossible to forecast spot prices so far in advance of the period, proxies that could be expected to have an impact on the market price, such as generator capacity above expected demand (Projected Assessment of System Adequacy) could be used.

- The Interconnector should be encouraged to identify, and inform the market of the timing of the outage as far as advance as possible. Further they should be encouraged, when it is in customers interest, to stick to the outage window identified.
  - A second market impact incentive could operate such that where market circumstances change and the expected excess generation will not be available then the Interconnector is encouraged to move the outage window to minimise regional reference price divergence.
  - The second incentive should only operate where it is in customers interests to move the planned outage window otherwise should remain inert. Where market circumstances have changed an Interconnector should be incentivised to consider wider market circumstances as it continues to plan its maintenance outages
  - Both incentives should be based on publicly available data so that the entire market is aware of the incentives on the Interconnector and the triggers that will encourage the Interconnector to change its behaviour.
  - The Interconnector operators are best placed to determine when planned outages should occur. The efficient management of these outages are dependent on the availability of labour and parts/supplies, and the flexibility available to the operator to schedule these outages at the optimal time is of significant benefit to the operator and the market. `APA does not believe that any scheme which removes this flexibility will be of ultimate benefit to the efficient completion of outages, and therefore will not be of ultimate benefit to the market.
- Re unplanned outages:
    - We remain comfortable that market arrangements such as connection agreements and the service component of the STPIS retains the appropriate incentives on the Interconnector to return the asset to service in the event of an unplanned outage.

APA would be happy to discuss further with the AER and other stakeholders in more detail some of the ideas that could be explored on how to implement these incentives.

We believe there is ongoing benefit from continuing broader stakeholder engagement on the Market Impact Component and alternatives to the current arrangements.

If you have any questions about our submission, please contact me on [REDACTED]

Regards,

[REDACTED]

**Mark Allen**  
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