

Transmission STPIS Review

Online Stakeholder Forum

10 December 2024

Agenda

Item	Presenter/facilitator	Time (AEDT)	Duration
Welcome, Acknowledgement of Country, Housekeeping	Scott Hall, Director, Networks Monitoring Team, AER	9am – 9:05am	5 minutes
Introductory remarks	Lynne Gallagher, AER Board member	9:05am – 9:10am	5 minutes
AER presentation - <i>Proposed amendments to the STPIS</i>	Blair Burkitt, Director, Network Regulation, AER and Scott Hall	9:10am – 9:15am	5 minutes
Market Impact Component and Network Capability Component - Clean Energy Council presentation	Diane Staats, CEC	9:15am – 9:25am	10 minutes
Market Impact Component and Network Capability Component - Energy Users Association of Australia presentation	Dr Leigh Clemow, EUAA	9:25am – 9:35am	10 minutes
Market Impact Component – ElectraNet presentation	Jeremy Tustin, ElectraNet	9:35am – 9:40am	5 minutes
Network Capability Component – TasNetworks presentation	William Goodwin, TasNetworks	9:40am – 9:45am	5 minutes
Q and A – Market Impact Component	Scott Hall	9:45am – 10:05am	20 minutes
Q and A – Network Capability Component	Blair Burkitt	10:05am – 10:20am	15 minutes
Q and A – Service Component	Scott Hall	10:20am – 10:25am	5 minutes
Closing statements and next steps	Lynne Gallagher, AER Board member	10:25am – 10:30am	5 minutes

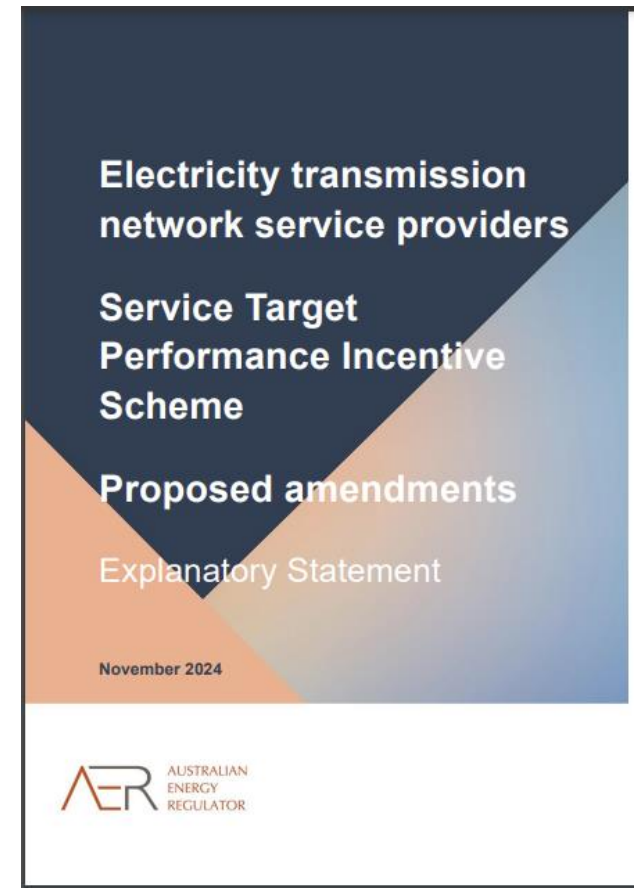
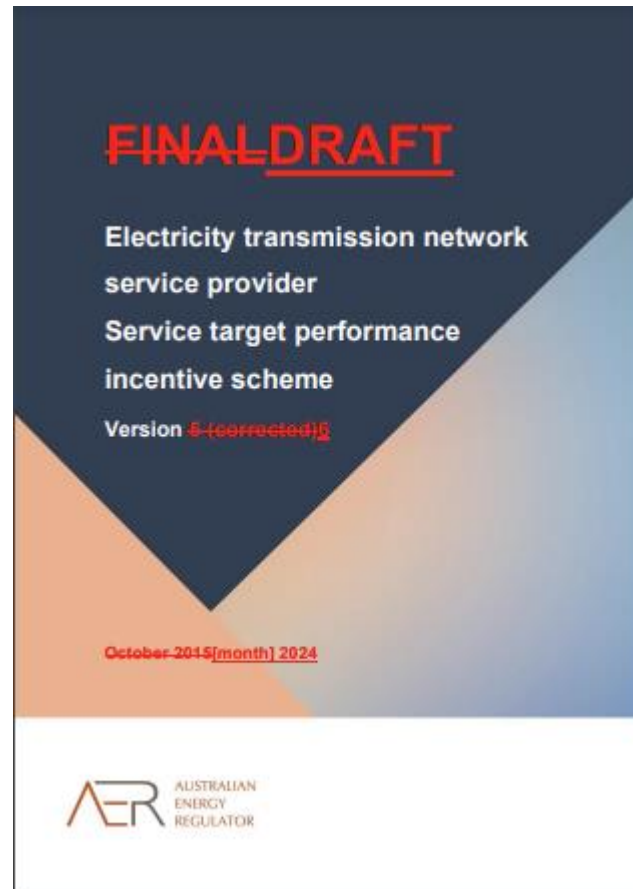
Transmission STPIS

Proposed amendments

Service Target Performance Incentive Scheme (STPIS)

- Financial incentive for Transmission Network Service Providers (TNSP) to maintain and improve service performance
- Comprises 3 Components:
 - **Market impact component (MIC)** - incentive to transmission businesses to minimise the effect of transmission outages on wholesale market outcomes
 - **Network capability component (NCC)** - incentive for transmission businesses to undertake low-cost solutions to address existing transmission constraints
 - **Service component (SC)** - incentive for transmission businesses to reduce the number and duration of outages

*Proposed amendments
and Explanatory
Statement published
November 6, 2024*



Market Impact Component

Our findings

- *Explanatory Statement* concluded the MIC no longer works as intended
- Most TNSPs now face maximum penalties, regardless of their actions
- The need to minimise the market impact of outages is as important as ever!
- It's time to consider alternative options.....

Market Impact Component

Proposed amendments

1. Suspend the MIC
2. In its absence, step up monitoring of planned transmission outages through annual reporting
 - Annual reports could include:
 - Wholesale price outcomes when outages are scheduled
 - Outages that coincide with high prices
 - Assessment of affect of planned outages when spot price exceeds \$5000/MWh
 - Assessment of reasons for scheduling and rescheduling outages (including how demand and supply forecasts were taken into account)
 - Overall assessment of performance
 - Include a conduct obligation in the NER?
 - Seeking stakeholder feedback on the merits of this and potential form

Network Capability Component

Our findings

- Explanatory Statement concluded that NCC is as relevant as ever
 - increasing connections of new wind and solar generation potentially creates new congestion
- But in their current form, the NCC and the Network Capability Incentive Action Plan (NCIPAP) are administratively complex, and its use has declined

Network Capability Component

Proposed amendments

- To facilitate use of the NCC, we propose the following amendments

Remove the NCIPAP and link NCC to Transmission Annual Planning Report (TAPR)

- TNSPs already required to identify projects to address network limitations in TAPRs
- TNSPs to annually propose (for AER approval) eligible NCC priority projects already identified in TAPR
- AER to report on approved projects and progress of approved projects (and costs)
- Should AEMO still have an assessment role if NCC priority projects are drawn from TAPRs? We seek stakeholder feedback on this

Better align incentive payments with revenue reductions

- Revenue reduction capped at 1.5 times actual project cost rather than up to 3.5% of average annual maximum allowed revenue (MAR)
- Incentive allowance provided annually for projects expected to commence in the next regulatory year
- Incentive payments reductions, if necessary, applied annually to completed projects
- Should the revenue reduction be based on 1.5 times actual costs or proposed project costs? We seek stakeholder views on this

Service Component

Our findings

- Our Explanatory Statement concluded that the Service Component can operate asymmetrically
 - Inconsistent with the original objective of the STPIS
- Rounding the loss of supply event frequency parameter annual average number of events to the nearest whole number has resulted in zero targets
- Zero target means loss of supply events incur a penalty – rewards are not possible

Service Component

Proposed amendments

- Amend the loss of supply frequency parameter of the SC to remove rounding so that targets can be fractions of an event
 - E.g., if a TNSP had 2 loss of supply events in the previous regulatory period, the annual target would be 0.4. If the TNSP then has no events in a year they receive a financial reward, but if they have one or more events, they incur a penalty.

When would an amended STPIS apply?

- Beginning of next regulatory period for each TNSP
- To align commencement dates would require a Rule change
 - seeking stakeholder feedback on whether this should happen

Next regulatory period begins	TNSP
1 July 2025	Directlink
1 July 2027	AusNet, Powerlink
1 July 2028	ElectraNet, Transgrid, Murraylink
1 July 2029	TasNetworks

Stakeholder presentations

Market Impact Component

20-minute Q and A



Network Capability Component

15-minute Q and A



Service Component

5-minute Q and A



Next steps

Milestone	Timing
Submissions due	3 February 2025
Final decision	24 April 2025

We welcome your feedback!

- Submissions by 3 February 2025 to:

TransmissionSTPISReview@aer.gov.au with subject line
“Submission to Transmission STPIS Proposed Amendments”

- Enjoy your end of year break!