

AER Public Forum

Service Target Performance Incentive Scheme

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Preliminary comments

- The views set out are based on preliminary feedback received from our generator members to date
- We plan to consult further on the AER's proposed amendments to the Market Impact Components (**MIC**) and the Network Capability Component (**NCC**)

NCC

CEC welcomes the AER's decision to retain the NCC and supports the changes proposed

MIC

CEC considers that the MIC needs to be replaced without delay
The focus of this presentation



MIC needs to be replaced without delay



CEC does not support suspending the MIC **without a replacement mechanism** that incentivises the effective management of network outages to minimise market impacts

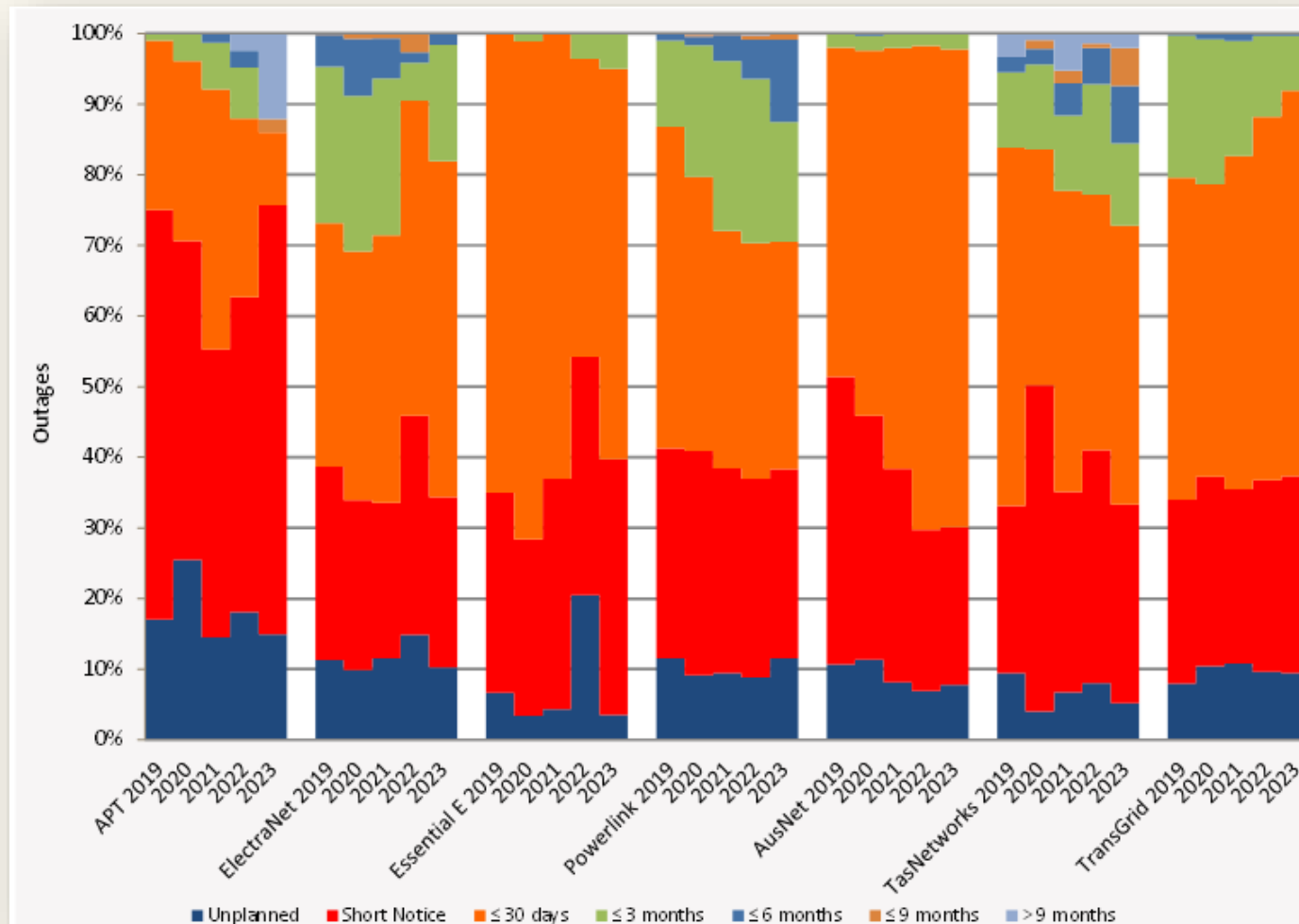
Improved network outage management is needed **as soon as possible** and before TNSP's next regulatory period

Most planned network outages are added to the Network Outage Schedule (**NOS**) **less than 3 months** before starting, making it difficult to minimise market impacts on participants/consumers

AER's reporting on each TNSP's outage performance is **unlikely to provide reputational incentive to improve**

An **incentive scheme** based on **financial rewards/penalties** is needed to incentivise effective network outage management practices

Insufficient notice of outages



The **red**, **orange** and **green** show when *less than 3 months* notice of an outage has been given via NOS

Planned outages in NOS 2023



	Powerlink	Transgrid	ElectraNet	Ausnet	TasNetwork
Total planned	18,420	2,892	2,772	2,655	2,467
Less than 3 months	85.9% 15,816	99.5% 2,881	98.2% 2,723	100% 2,655	83.6% 2,063
Less than 4 days (short notice)	5,582 30.3%	892 30.8%	745 26.9%	642 24.2%	732 29.7%
≤ 30 days (excluding short notice)	6,700 36.4%	1,742 60.2%	1,468 53%	1,949 73.4%	1,027 41.6%
1-3 months notice	3,534 19.2%	247 8.5%	510 18.4%	64 2.4%	304 12.3%
3-6 months	2,429 13.2%	11 0.4%	49 1.8%	Nil	210 8.5%
6-9 months	166 0.9%	Nil	Nil	Nil	141 5.7%
> 9 months	9 0.05%	Nil	Nil	Nil	53 2.1%

Adequate notice to minimise impacts

CEC position

*TNSPs need to give at **least 4 months notice** of planned outages in the NOS*

With adequate notice, market impacts can be minimised, by permitting:



Retailers to adopt **risk mitigation** measures to minimise impacts on consumer prices – via hedging



Generators to schedule their own **maintenance** work to align with the network outage



Better **coordination** to minimise **consecutive** network outages impacting generators on borders



AEMO and TNSPs to work **collaboratively** to move planned outages during the planning stages



AEMO, TNSPs and generators to collaborate through ACCC authorised **NEM Maintenance Forum**



AEMO to use its powers to minimise impacts eg contracting of SIPS



TNSPs be incentivised to give at **least 4 months notice** of planned outages in the NOS – through rewards and penalties



TNSPs would sustain an incentive payment if they provide at least 4 months notice

TNSP's incentive payment is reduced if they provide less than 4 months notice for each planned outage, with penalty levels increasing as notice period decreases

The lowest penalty would be payable where 3-4 months notice is given

The penalty would gradually increase as the notice period decreases

Highest penalty for outages if less than 2 weeks notice is given

No penalty where planned outages are moved at AEMO's request, required for any unforeseeable emergency or for forced outages

Consider if the scheme should be limited to planned outages outlined in 3.2.2 of AEMO's CIR guidelines – noting improvements are warranted

New incentive scheme

New scheme's benefits



Has a **clear, simple** and **easy to monitor** metric



Provides TNSPs with **clear incentive** to implement improved network outage planning processes



Is **not onerous** as TNSPs already have obligations to input network outages in the NOS (NER 3.7.2 and 3.7A (n), (o) and (p) and AEMO's Congestion Information Resource Guidelines)



Opportunity for market impacts of planned outages to be minimised through the promotion of **improved risk management** by TNSPs and participants

Other comments

Meet with CEC

We invite the AER to meet in Dec/Jan with our members

- Discuss whether TNSPs could be further incentivised with an **additional metric** to better manage network outages with material market impacts

Information

The AER needs to gather information on the following

- Spot price impacts **at the time of, and following**, the outage – if a battery cannot charge during outage, they cannot discharge later when demand is high
- Revenue impacts on **generation and batteries** – energy and non-energy markets
- **Notice** period given of an outage
- Impacts on **radial lines**

Guidance

AER should issue guidance on NOS obligations

- The AER should issue guidance to clarify when an outage is likely to have a **material effect** on network constraints so that more outages are inputted into the NOS with more than 4 months' notice on a consistent basis

High price

Impact of short notice on high price events

- We suggest that the AER work with AEMO to **assess** whether short notice of outages contribute to high price events (Figure 5 on page 21 of the AER's Explanatory Statement)

Thank you

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