

AER STPIS Review

Draft STPIS

10 Dec 24

Agenda

1 Market Impact Component



2 Network Capability Component

Market Impact Component

Earlier submission

- 1 – MIC lost its link to long term interests of consumers – no longer delivering the original objective
- 2 – TNSPs were not able to respond – no ‘degrees of freedom’
- 3 & 4 – incentive payments and targets were not linked to the objectives

The AER’s challenge

- Is there a metric that can be substituted into MIC that addresses 1, 3 & 4?
- Is MIC meaningful if outages are very difficult to schedule and often cancelled?

Refocus MIC on desired behaviours?

- Some are already prevalent
- Weather data has proliferated since MIC was designed
- In service work is done where suitable
- TNSPs give substantial notice of outages, but they are often cancelled at the last minute

Areas where improvement is possible?

- Can TNSP’s influence late changes?
- Can price impact be forecast sufficiently?

Market Impact Component

Overall

Support suspension of the MIC because it is not capable of contributing to the NEO

Support AER's proposal to continue seeking a metric that might make MIC workable in future

Information gathering

Reporting approach lacks detail, welcome the opportunity to work with the AER in 2025

- Assume the gathered data will be within the data we already collect
- Plenty of data already on AEMO website but consider it needs context
- The data are hard to interpret – outages are often rescheduled at the request of AEMO or generators

Conduct Rules

Not entirely clear what is intended

Need to

- Focus on actual problems that may be identified through the reporting and information available before the outage
- Give incentive based regulation an opportunity to resolve any problems first (potential reinstatement of MIC in future)
- Avoid duplication/ overlap with existing obligations
- Any rule change should be reasonable endeavours given complexity and outline a range of factors that should be considered

Implementation

- Suggest a rule change that could allow a TNSP to implement earlier and enable the reporting approach earlier to better inform any future rule change on outage management behaviour

Network Capability Component

Overview

Broadly the AER proposes to retain the scheme but make it simpler, more agile and more balanced.

Annual cadence

Additional flexibility will enable project proposals to be better considered/ less uncertain, providing flexibility to address issues as they arise.

Project identification

Requirement for TNSPs to identify proposed priority projects, if any, in the Transmission Annual Planning Report (TAPR)

Incentive arrangement

The proposed AER approach has maintained the current incentive of 1.5 times the forecast annual proposed cost of approved priority projects. This annual allowance cannot be greater than 1.5 per cent of the average annual maximum allowed revenue of the TNSP over the regulatory control period.

Penalty approach

Where a TNSP does not achieve a priority project improvement target the AER has proposed a penalty of 1.5 times the project actual cost.

This position removes alignment between the penalty and the incentive. To maintain scheme symmetry, where a project improvement target is not met the maximum penalty should be 1.5 times the priority project forecast cost.