

2 February 2025

Dr Kris Funston  
Executive General Manager  
Australian Energy Regulator  
GPO Box 3131  
Canberra, ACT, 2601

Locked Bag 14051  
Melbourne City Mail Centre  
Victoria 8001 Australia  
T: 1300 360 795  
[www.ausnetservices.com.au](http://www.ausnetservices.com.au)

Via electronic lodgement

[Transmissionstpisreview@aer.gov.au](mailto:Transmissionstpisreview@aer.gov.au)

Dear Kris

## **Submission to the Australian Energy Regulator on the proposed Transmission STPIS – 6 November 2024**

Ausnet welcomes the opportunity to provide this submission to the AER proposed amendments to the service target performance incentive scheme (STPIS) for transmission network service providers.

Ausnet is the largest diversified energy network business in Victoria with over \$12 billion of regulated and contracted assets. It owns and operates three core regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network, as well as a significant portfolio of contracted energy infrastructure.

In this submission, Ausnet:

- Supports AER's decision to suspend the Market Impact Component (MIC), and consequential efforts to develop an alternative workable scheme;
- Does not support introducing new conduct obligations in the NER for scheduling outages;
- Supports retaining the Network Capability Component (NCC), and AER's amendments to improve its effectiveness; and
- Supports the changes to the Service Component (SC).

Ausnet also acknowledges and supports the Energy Networks Australia submission to this AER consultation.

## **We support AER's decision to suspend the Market Impact Component Scheme, and undertake efforts to develop a workable scheme**

AusNet agrees with the AER's assessment that the MIC is no longer working as intended, and that there is a need to identify a workable alternative to incentivise minimising market impact from outages taken by Transmission Network Service Providers (TNSPs).

We emphasise that any new alternative incentive mechanism should be aligned with objective of this scheme, that is, targeting outages that have market impact (that contribute to increased consumer costs) where TNSPs have reasonable ability to manage. Alternative schemes that target partial or inaccurate approximation of performance are likely to create or incentivise perverse behaviours. We support AER's recognition of the need for careful analysis, design and testing of this alternative – as was undertaken when the MIC was originally introduced.

## New transparency reporting

On the AER's proposal to introduce reporting to collect new data from transmission outages, we recommend that:

- Data selected be related to those useful in directly addressing outage impact where it results in cost on consumers, per MIC objective;
- AER collaborate closely with TNSPs on development of new reporting, and supporting processes. This will enable appropriate balance of relevant, quality and effort considerations, having regard to the significant complexities in outcomes from outage management;
- Reporting recognises the unique arrangements in Victoria in which some transmission outages are driven by augmentations planned by AEMO Victoria – which are beyond AusNet's reasonable control<sup>1</sup>.

## Does not support proposed conduct obligations for scheduling outages

We do not support introducing new conduct obligations in the NER for scheduling outages. Given AER's intent to undertake reporting to develop a reformed MIC, we believe this is not needed at this time. Secondly, planning outages involves accounting for a range of business, operational and safety considerations that will mean design of such an obligation raise risks of increased cost, unnecessary complexity or lack of practical effect.

## We support retention and changes to Network Capability Component Scheme as proposed by AER

Ausnet agrees with the AER's conclusion that there is value in the NCC scheme, and the AER's proposal to amend the NCC to improve its effectiveness (including take up of minor projects).

We support AER changes proposed, including:

- Amending the incentive regime to better align the incentive allowance to any revenue reductions for not achieving priority project improvement targets (e.g. a revenue reduction of up to 1.5 times a project's actual costs where targets are not met)
- Providing incentive allowance annually for AER approved priority projects expected to be commenced in the next regulatory year (applying incentive adjustments where appropriate to completed projects).
- That potential projects eligible for the NCC be proposed and linked to the relevant TAPR, rather than submitting a NCIPAP a TNSP's revenue proposal. The AER would assess TNSP's application and publish a decision in relation to projects in annual NCC reports. The AER would also require annual reporting to the AER on progress for NCC projects (e.g. delays or cost over-runs).

We note Victoria's unique arrangements where AEMO acts as the relevant Victorian planner responsible for the TAPR, not AusNet. Coordination between AusNet and AEMO will be required (as is undertaken today), should this proposed amendment to the NCC become finalised.

AusNet is supportive of receiving relevant credible project opportunities from interested parties. We agree with AER that NCC reporting focus on credible project 'opportunities' only; the TAPR already assesses potential and likely network limitations.


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<sup>1</sup> As raised by AusNet's response to AER's Issues Paper (Transmission STPIS Review), 5 April 2024

## We support proposed changes to Service Component Scheme

The AER proposed amendments also identified concerns about application of the loss of supply event frequency parameter, recognising that currently the SC can operate asymmetrically, and that this is inconsistent with the original objective of the SC.

We are comfortable with AER's proposal to remove rounding of the loss of supply frequency parameter of the SC to remove rounding (so targets can be fractions of an event).

If you have any questions regarding this submission, you can contact 

Sincerely,



Jack San  
Senior Manager, Policy and Advocacy  
**AusNet Services**