22 January 2025

Dr Kris Funston
Executive General Manager
Australian Energy Regulator
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Submitted via email to: **transmissionSTPISreview@aer.gov.au**

Dear Dr Funston

Submission: Australian Energy Regulator (AER) Review of the Transmission Service Target Performance Incentive Scheme (STPIS)

CS Energy welcomes the opportunity to provide a submission in response to the AER's proposed version 6 of the STPIS.

About CS Energy

CS Energy is a Queensland-owned and based energy company that provides power to some of the state's biggest industries and employers. We generate and sell electricity in the wholesale and retail markets, and we employ almost 700 people who live and work in the regions where we operate.

CS Energy owns thermal power generation assets, and we are building a more diverse portfolio. We also have a renewable energy offtakes portfolio of almost 300 megawatts, which we supply to our large commercial and industrial customers in Queensland.

Key recommendations

CS Energy supports in general the AER's proposed amendments to the STPIS.

The STPIS's purpose, by definition, is to encourage transmission network service providers (**TNSPs**) to invest in and operate their assets with regard to market outcomes as well as to the maintenance of system reliability and security. Given that the changing nature of the electricity system means that TNSPs now cannot respond effectively to the market impact component (**MIC**), there are only costs attached to the MIC's operation. Suspending the MIC and gaining an improved understanding of the operation of networks before designing a replacement component is the sensible course of action.

CS Energy considers that the AER's proposed information gathering and analysis of network events would provide TNSPs sufficient incentive (within the constraints giving reason for the MIC's suspension) to aim to schedule outages at times least costly to the market. Given the significance of the operational issues they face, TNSPs can be expected

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to publicise changes in their networks' circumstances that materially affect market outcomes. TNSPs also will be aware that the AER and market participants are likely to raise any material increases in the market effects of outages.

Noting these incentives, CS Energy suggests that introducing a conduct obligation is unnecessary. Also, unintended consequences might arise if consideration of a new broadly framed Rules conduct obligation were to distract a TNSP optimising network operations in real time. A more practical path is to give all involved parties – who certainly understand the range of factors bearing on decision-making - the freedom to learn how to operate effectively in the new circumstances rather than impose an additional legal risk on TNSPs. Thought can be given to revising the MIC or designing new incentives once sufficient experience and information are available.

The AER's proposed amendments to the Network Capability Component (**NCC**) are sensible. Again, the rapidly changing character of networks and their operation means that quicker delivery of and easier changes to NCC projects might be beneficial. CS Energy notes the AER in revenue reset processes assesses the benefits of capital projects proposed by TNSPs. There appears to be no reason why the AER cannot similarly be the sole assessor of NCC projects.

Last, CS Energy agrees that the Service Component should be amended to avoid penalising of TNSPs for a scheme design quirk rather than any material operational failure on their part. The current arrangement is not consistent with incentive regulation.

If you would like to discuss this submission, please contact [redacted]

Yours sincerely

[redacted]

Dr Alison Demaria
Head of Policy and Regulation