



Dr Kris Funston
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Dear Dr Funston

The Rewiring the Nation Office (RtNO) of the Department of Climate Change, Energy, the Environment and Water (DCCEEW) welcomes the opportunity to comment on the AER's proposed amendments to the service target performance incentive scheme for transmission (STPIS).

We see the STPIS as playing a role in promoting a smooth energy transition and achieving the Commonwealth Government's energy targets. Realising 82 percent renewable share of electricity and a 43 percent emissions reduction by 2030, before reaching net zero by 2050, could be supported by low-cost network projects that promote innovative solutions to emerging challenges in the long-term interest of consumers.

Network capability component

We support the AER on its draft decision to retain the network capability component (NCC) and endeavour to improve its effectiveness. The NCC has an important role in incentivising low cost and innovative enhancements in network capability, with proportionate regulatory oversight in place. While the progression of projects under the NCC has declined over recent years, the NCC's value is likely to increase with network limitations and higher forecast congestion.

The AER's draft decision is also supported by the Australian Energy Market Commission's (AEMC's) recommendations to Energy Ministers on transmission access reform. Specifically, the AEMC identified the AER's review of the NCC as an opportunity to improve processes and incentives to identify and progress efficient, low-cost, transmission augmentation projects that could alleviate local congestion.

We consider the AER's proposed amendments to the NCC positive. For example, changing the NCC project approval process from every 5 years via Network Capability Incentive Parameter Action Plans (NCIPAPs) to annually via Transmission Annual Planning Reports (TAPRs) will create flexibility and reduce barriers to participation as new opportunities and innovations can be identified within the 5-yearly cycle. While the AER retains oversight, enhancing the network capabilities to reduce the current network limitations could support the greater integration of renewable projects.

We also agree with the AER's draft decision to make the incentives and penalties under the scheme symmetrical. Having higher potential penalties than incentives under the NCC previously may have discouraged participation, and addressing this imbalance is welcome.

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We observe that while the AER's proposed amendments are positive, they are also incremental in nature. If the AER were to identify more substantial changes that are likely to be in the long-term interest of electricity consumers, we would encourage their adoption.

Market Impact Component

We consider the Market Impact Component (MIC) has the potential to play a valuable role in minimising the impact of outages and promoting their efficient planning. We acknowledge the AER's and stakeholders' views that the current version of the MIC is no longer fit for purpose. We share the view broadly expressed by stakeholders for a preference to retain an amended version of the MIC.

Stakeholders have clearly identified the problems under the current arrangements. The increase in volatility and uncertainty has made planning outages more challenging. The occurrence of outages to manage the connection of renewable generation combined with the frequency of the \$10MWh market impact metric being triggered has contributed to undermining the effectiveness of the current arrangements. We do not consider network businesses should be penalised for events outside of their control.

Suspending the MIC may only serve to defer the need to identify a solution to a clearly defined problem. This may not be in the long-term interests of consumers. A more efficient and effective outcome may be to develop, in consultation with industry, a solution so the important benefits under the scheme can be realised ahead of the next revenue determinations in 2026-2027.

Should you have any questions or would like to discuss the submission further, please don't hesitate to contact [REDACTED]

Yours sincerely,

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