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Australian Energy Regulator
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3 February 2025

To Dr Funston,

Transmission STPIS Review: Proposed amendments

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Regulator (AER) on proposed amendments to the transmission service target performance incentives scheme (transmission STPIS).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE considers that the transmission STPIS remains an important counterbalance for other incentives for transmission network service providers (TNSPs), such as the efficiency benefit and capital experience sharing schemes, to reduce expenditure and service standards. ENGIE is supportive of the transmission STPIS being strengthened rather than paused or weakened.

In that context, ENGIE supports the AER's proposed amendments to the network capability component (NCC) of the transmission STPIS. ENGIE is not supportive of the AER's proposal to suspend the market impact component (MIC) of the transmission STPIS without a replacement mechanism that incentivises TNSPs to undertake planned outages at times when these outages would have little impact on wholesale market outcomes.

The Market impact component (MIC) should be replaced rather than suspended

In our submission to the issues paper, ENGIE acknowledged that the MIC is not currently providing incentives to TNSPs to minimise disruptions during times of peak demand, due to the maximum penalty amount being achieved annually through the current operation of the market.[1]

ENGIE agrees with the AER that the original intent of the MIC remains important and that TNSPs should be incentivised to undertake planned outages at times when they would have little impact on market outcomes. For that reason, ENGIE does not support suspending the application of the MIC and introducing a new annual information collection, monitoring and reporting framework.

While a monitoring framework could provide some useful information on TNSP's outage management performance, ENGIE does not consider that the potential reputational incentives will be as effective at driving TNSP behavioural change as a robust financial incentive scheme. The Clean Energy Council has highlighted issues with the current effectiveness of reputational incentives in its submission to the proposed amendments, where it presents evidence that suggests TNSPs have not improved the amount of advance notice of planned outages despite AEMO annual reporting on each TNSP's performance.[2]

ENGIE notes that the AER would likely need several years of analysis through a new monitoring framework before having sufficient information to justify the introduction of an alternative incentive mechanism. As the majority of TNSPs will enter into their next five-year revenue determination period in 2027 and 2028[3], there is a strong possibility that most TNSPs would not face a service target incentive mechanism until at least 2032 or 2033. The Australian Energy Market Operator (AEMO) is forecasting significant changes to the electricity generation mix between now and the early 2030s, including around 90 per cent of the coal fleet in the National Electricity Market (NEM) retiring by 2034-35, strong growth in residential and commercial batteries, and an increase in the share of generation from renewable sources in the NEM from less than 50 per cent in 2024-25 to more than 90% by 2033-34.[4]

As the next decade will be an important period for the energy market transition with a significant number of new projects connecting to the network, any replacement mechanism to improve the management of network disruptions should be implemented before the majority of TNSPs enter into their next five-year revenue determination periods. ENGIE support's the Clean Energy Council's proposal for a new incentive scheme that can be introduced relatively quickly to replace the MIC, which would be designed to incentivise

[1] ENGIE 2024, Submission to Transmission STPIS Review: MIC and NCIPAP – Issues Paper, 5 April.

[2] Clean Energy Council 2025, CEC submission on AER's proposed amendments to the STPIS scheme, 3 February.

[3] AEMO (Victoria), AusNet Services (Victoria), and Powerlink (Queensland) will submit five-year revenue proposals for the period commencing 1 July 2027. Transgrid (New South Wales), Murraylink (South Australia and Victoria), and ElectraNet (South Australia) will submit five-year revenue proposals for the period commencing 1 July 2028.

[4] Australian Energy Market Operator 2024, 2024 Integrated System Plan, 26 June, pp. 49 – 51.

TNSPs to give at least four months' notice of planned outages in the Network Outage Schedule (NOS) through incentive payments and penalties.[5]

ENGIE supports the proposed amendment to the Network Capability Component (NCC)

ENGIE considers that the NCC remains important as a tool to incentivise TNSPs to identify and prioritise low-cost projects that can address issues with network limitations. In our feedback to the issues paper, ENGIE supported amendments to the NCC to make it less administratively burdensome for TNSPs and to increase flexibility of the NCC. In that context, ENGIE supports the AER's proposal to amend the NCC to improve its effectiveness and link the NCC to a TNSP's Transmission Annual Planning Report.

ENGIE supports a continued role for AEMO in the development of priority projects for the NCC. This would provide AEMO with a formal opportunity to participate in the process if it considers there is merit in it doing so. ENGIE would be comfortable with the regulatory burden of these obligations on TNSPs being reduced, such as by only requiring a TNSP to provide AEMO with the information set out in section 5.2(j) of the Transmission STPIS (version 5) if requested by AEMO.

ENGIE agrees with the Clean Energy Council's feedback to the issues paper on allowing market participants to be able to identify and recommend projects to TNSPs.[6] ENGIE acknowledges the AER's feedback that the NCC currently provides for TNSPs to propose joint-priority improvement projects. However, ENGIE is not aware of TNSPs proactively engaging with market participants on the development of projects for the NCC. ENGIE supports the Clean Energy Council's proposal that the AER introduce a positive obligation on TNSPs to consider NCC projects proposed by market participants and require greater transparency from TNSPs on their reasons for deciding on the priority projects in the Transmission Annual Planning Report.[7]

Removing rounding from the Service Component (SC) is a reasonable amendment

ENGIE is comfortable with the AER's proposal to amend the loss of supply frequence parameter of the service component (SC) to remove rounding to address scenarios where TNSPs have a zero target. ENGIE agrees that a zero target is not an effective incentive for TNSPs to improve performance and would be inconsistent with the objective of the STPIS.

[5] Clean Energy Council 2025, CEC submission on AER's proposed amendments to the STPIS scheme, 3 February.

[6] Clean Energy Council 2024, Clean Energy Council submission on Electricity Transmission Service Standards Incentive Scheme, 10 April, p.8.

[7] Clean Energy Council 2025, CEC submission on AER's proposed amendments to the STPIS scheme, 3 February.

Concluding remarks

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, [redacted]

Yours sincerely,

[redacted]

Matthew Giampiccolo
Manager, Regulation and Policy