



Ref. A5747101

4 February 2025

Mr Scott Hall
Director – Network Pricing
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Scott,

Electricity Transmission Service Target Performance Incentive Scheme (STPIS) – Draft Decision

Powerlink Queensland (Powerlink) appreciates the opportunity to make a submission in response to the Australian Energy Regulator's (AER's) Draft Decision on its STPIS Review. Overall, we support the need for a fit-for-purpose scheme that ensures Transmission Network Service Providers (TNSPs) are provided with appropriate incentives to maintain or improve customer-focussed outcomes in the context of a rapidly changing energy environment.

Market Impact Component (MIC)

Powerlink agrees with the AER's Draft Decision to pause the application of the MIC and supports the AER developing a targeted approach to the proposed report-only measure in relation to outage management. We provide further information on the latter in the outage reporting section below.

While the MIC was originally intended to encourage TNSPs to plan outages at times that would minimise impacts on the market, this paradigm has shifted due to the change in power flows on our network as well as the mix and location of renewable energy generation. This poses additional challenges to planning and securing outage windows, despite TNSPs having implemented prudent measures and behaviours to manage market impacts.

As a result, we consider it is reasonable to suspend the MIC to ensure TNSPs are no longer systematically penalised (or potentially rewarded) for factors outside their control. We consider that an incentive should take into account the variability and complexity of outage planning and provide flexibility for TNSPs to address unforeseen operational needs.

Service Component (SC)

Powerlink supports the removal of the rounding method used in setting the target and performance assessment of the SC. We also acknowledge the AER's consideration and decision to make changes to the SC as part of its review.

Powerlink's submission to the Issues Paper highlighted that the inflexible system minute thresholds for the loss of supply frequency measures can result in a TNSP target of zero. We consider that the revised calculation method will result in a more symmetrical incentive, in contrast to the existing penalty-only arrangement.



To enable the AER's final decision changes to the STPIS to be implemented within a TNSP's current regulatory period, we support the AER's proposal to lodge a Rule change. Given the extent of the AER's consultation over the course of its STPIS review, we consider that an expedited Rule change would be in the interests of consumers.

Outage Reporting Mechanism Considerations

Based on Powerlink's outage management experience and practices, transmission element outage planning is a complex, multi-variable problem. Given its highly contextual nature, the development of an appropriate outage reporting mechanism requires a contemporary and holistic understanding of how and why outages are planned and managed. For example, power system flows are heavily influenced by weather conditions and technologies that can operate across various markets with variable participant bidding behaviours and complex contractual arrangements, such as Power Purchase Agreements. This makes it increasingly difficult to forecast input variables to model likely power flows on transmission elements during outages and estimate the potential binding constraints and market impacts many months in advance of an outage occurring.

There are some key considerations that guide macro planning, such as high power flows on certain corridors during summer periods. However, from a practical network operation perspective, refinement to the least market impact cannot be done without consideration of all variables. As a result, the adoption of a rigid approach to longer outage notification periods could have an overall negative impact on the market and ultimately customers, and is likely result in similar problems to those experienced under the existing MIC of the scheme.

To address these challenges, we recommend the development of an outage reporting mechanism that takes into account:

- **the context in which outages occur** - such as the specific circumstances, network-wide schedules and broader stakeholder engagement that occurs throughout the outage planning process;
- **flexibility in outage planning** – while advance notice is designed to assist market participants in planning, a rigid enforcement of notice periods could have negative impacts (such as during Hold-Point Testing) and could trade-off individual market participant impacts with broader market impacts;
- **operational considerations** – which could include shorter notice periods required to meet safety obligations and maintain network reliability; and
- **the costs associated with reporting** - given the complexity and highly context-based and qualitative nature of outages, the ability to record such information in automated systems may not be achievable or practical.

We also note that during the AER's Public Forum on its Draft Decision, outage statistics from the Australian Energy Market Operator's (AEMO's) Annual National Electricity Market (NEM) Constraint Report 2023¹ were put forward as a possible existing data source for an outage scheduling incentive scheme. We do not recommend the direct use of this data set and the potential application of conduct provisions without further validation of the underlying power system context and assumptions, such as:

- data source limitations of the Australian Energy Market Operator's (AEMO's) Network Outage Scheduler (NOS), where information is linked to the behaviour of the system. Further, there is a limited ability to capture full network outage planning considerations and context relating to the work; and

¹ Annual NEM Constraint Report 2023, Australian Energy Market Operator (AEMO), 18 April 2024.



- the notification period registered, which is impacted by changes in a number of fields within the NOS that relate more directly to supporting engineering due diligence of outages by TNSPs and AEMO, rather than being indicative of the notification period to a market participant.

Powerlink has also provided input to Energy Networks Australia's submission and supports the key positions contained therein.

If you have any questions or require further discussion or clarification in relation to any aspect of this submission, please contact me at [REDACTED]

Yours sincerely,

Signed by J Harris

Jennifer Harris
General Manager – Network Regulation