

5 October 2021

Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra, ACT, 2601

Dear Warwick,

Submission regarding AusNet's Revised Proposal for the 2023-27 regulatory period

We, as members of AusNet's Transmission Customer Advisory Panel, welcome the opportunity to provide this submission to the AER regarding the application of the Market Impact Component (MIC) of the Service Target Performance Incentive Scheme (STPIS) to AusNet in the 2023-27 regulatory period.

During its post-lodgement engagement program¹ AusNet has outlined the operational actions it takes to maximise its performance under the MIC, including seeking to align planned outages to minimise the overall impact on the market, putting downwards pressure on wholesale market prices.

AusNet also outlined the impact the energy transition is having on the MIC's ability to operate as an effective incentive scheme. It considers that the scheme is no longer fit for purpose, and it will only provide an ongoing incentive if a sensible and pragmatic exclusion regime is applied.

In its Revised Proposal, AusNet has proposed a transitional approach to applying the MIC. While the detailed assessment of this proposal is a job for the AER, we support an approach to applying the MIC that:

- Will maintain the incentive for AusNet to optimise its outages to deliver wholesale market price benefits for customers; and
- Will not create windfall bonus payments for AusNet if future transmission network developments reduce the impact of the issues currently being experienced.

We recognise that AusNet considers its proposed transitional approach will support these objectives.

The AER should conduct a review of the MIC as soon as practicable, to ensure it is fit for purpose in the context of the energy transition.

Sincerely, on behalf of,

Andrew Richards – Energy Users Association of Australia

Tennant Reed – Australian Industry Group

Gavin Dufty – The St Vincent de Paul Society

Bridgette Carter – BlueScope Steel

Nick Eaton – Alcoa of Australia

¹ Including a stakeholder workshop hosted by AusNet on 23 July 2021 with further information circulated on 6 August 2021