



Application of incentive scheme to transmission businesses

Stakeholder submissions invited on draft rule determination

The AEMC has made a draft rule which seeks to enable a process to bring forward the potential net benefits from timely transmission network investments to electricity consumers.

The Commission's decision

The Commission's draft rule determination, which includes a draft rule, seeks to enable a process for regulated transmission businesses to bring forward lower-cost projects which reduce transmission network congestion and optimise the capacity of the network to transport electricity efficiently.

This could be achieved by allowing eligible transmission businesses to apply to the Australian Energy Regulator (AER) for approval to apply the network capability component of the service target performance incentive scheme (STPIS) in an existing regulatory control period. The STPIS is an AER-developed incentive scheme to encourage regulated transmission businesses to maintain or improve the performance of their networks.

Reasons for the Commission's decision

The Commission considers that making the draft rule is in the long term interests of electricity consumers. By providing eligible transmission businesses with earlier access to the incentive (the network capability component) to undertake projects that reduce network congestion and improve overall network efficiency, this may support efficient investment in transmission networks. This has the potential to improve the flow of generated electricity that can be dispatched without constraint due to capacity limitations. This may lead to more efficient pricing in the wholesale electricity market and, in turn, for consumers.

The draft rule

The draft rule inserts a 'one-off' framework of savings and transitional provisions into Chapter 11 of the National Electricity Rules. It is consistent with the proposed rule, with some minor amendments to provide greater clarity regarding its application.

The draft rule, if implemented, would permit a transmission business to:

- apply to the AER to seek early application of the network capability component of version four of the STPIS, where it would otherwise not apply until the start of its next regulatory control period; and
- submit a network action plan (or NCIPAP) to the AER for approval, following review of the plan by the Australian Energy Market Operator and consultation with customers.

Consultation

Stakeholders are invited to make written submissions in response to the draft rule determination, and the draft rule, by no later than 8 January 2015.

Background

The STPIS consists of three components: service component (focussed on dependability of supply); market impact component (focussed on controlled management of outages); and network capability component (including incentive payments for projects which reduce network congestion and improve the capability of the transmission network at times of greatest benefit). This rule change request relates to the network capability component.

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