



Application of incentive scheme to transmission businesses

Final rule 19 February 2015

The AEMC has made a final rule enabling a process for regulated electricity transmission businesses to bring forward lower-cost projects that reduce transmission network congestion. The rule optimises the network's capacity to transport electricity efficiently.

The Commission's decision

The final rule allows 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 final rule is in the long term interests of electricity consumers. Expected benefits of the final rule may include improvements to the volume of generated electricity that can be dispatched across the transmission network without constraint due to capacity limitations. Such an outcome has the potential to lead to more efficient pricing in the wholesale electricity market. This may, in turn, provide more efficient pricing for electricity consumers.

The final rule

The final rule inserts a 'one-off' framework of savings and transitional provisions into Chapter 11 of the National Electricity Rules. It is consistent with the draft rule and ElectraNet's proposed rule with minor amendments, reflecting stakeholders' submissions and the Commission's analysis, to provide greater certainty to transmission businesses and the AER, as well as clarity regarding its application.

The final rule will permit a transmission business, which will be subject to the network capability component of the STPIS at its next regulatory control period, to:

- submit a proposal to the AER for it to determine whether the network capability component could be applied within the transmission business's current regulatory control period; and
- submit a network parameter incentive action plan to the AER for approval, following review of the plan by AEMO and consultation with customers.

The final rule commences on 19 February 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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19 February 2015