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Ms Anna Collyer
Chair
Australian Energy Market Commission

Submitted online: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Anna

AEMC's Early application of a revised transmission STPIS draft decision

Transgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) *Early application of a revised transmission Service Target Performance Incentive Scheme (STPIS)* draft decision. We support the AEMC's more preferable draft rule that enables timely application of elements of STPIS Version 6 and establishes a pragmatic pathway for any future schemes to be applied early where appropriate.

Transgrid must plan for, build, maintain and operate the backbone of the grid while meeting our obligations to maintain the safety, reliability and security of the transmission system in accordance with the National Electricity Rules (**NER**). STPIS aims to maintain or improve TNSPs' service standards, and we support the AER's Version 6 of the STPIS, especially as some of the current elements of the STPIS are no longer working as intended.

Our position at a glance

- We support the AEMC's decision to disapply the Market Impact Component (**MIC**) from 1 January 2026, which addresses the persistent issue of maximum penalties being incurred by TNSPs irrespective of actions taken.
- We support aligning the Service Component (**SC**) loss of supply frequency target with STPIS Version 6 for performance from 1 July 2026, noting this approach balances implementation practicality with consumer benefit. However, we note this may create extra administrative burden on the AER and TNSPs.
- We note the decision not to apply the Network Capability Component (**NCC**) early. We support the NCC commencing at the start of each TNSP's next regulatory control period.
- We support the AEMC's approach to future schemes—requiring the AER to consult on potential early application during scheme reviews—because it preserves regulatory certainty while allowing flexibility to respond to changing system conditions. However, we believe that any early implementation of future schemes should be agreed with TNSPs.

Rationale and evidence

MIC

The MIC in its current form has ceased to drive the intended behaviours and has resulted in recurring maximum penalties across mainland TNSPs. For Transgrid, the Version 5 MIC has translated to approximately \$10 million per annum in penalties since 2021, despite actions taken to manage outages prudently. Removing the MIC from 1 January 2026 will immediately reduce distortions and better align incentives with consumer outcomes.

SC

We support the AEMC position. Adjusting the loss of supply frequency target under the SC from 1 July 2026 is a practical staging that provides clarity on data capture and performance assessment.

NCC

Deferring early application of the NCC recognises that Version 6 introduces material changes (including program design and governance) that are best embedded at the start of a regulatory control period. In the interim, AER guidance could enable targeted, 'no regrets' capability works where these deliver near term consumer benefits without undermining the broader NCC framework.

Additional comments

We strongly support early application of a revised STPIS where it benefits consumers and does not unfairly penalise TNSPs. However we see value in ensuring the AER's ability to make mid-period changes is applied in a manner that maintains stability for TNSPs. Providing clearer guardrails would help avoid unintended uncertainty, support efficient planning and investment, and reduce the risk of complexity or data issues arising from rapid changes.

The draft rule is a meaningful improvement—anchoring early application in the STPIS review process and requiring consultation—but a transparent principles-based framework would further strengthen confidence that early application by the AER will be used appropriately and deliver balanced, consumer-focused outcomes. This can be achieved by ensuring that TNSPs agree with any early implementation of a revised scheme.

In addition, we do not see a need for rigid additional time restrictions. Guardrails should focus on demonstrable consumer benefit, administrative practicality, and preserving the long-term incentive properties of the scheme.

We appreciate the AEMC's timely approach. If you or your staff require any further information or clarification on this submission, please contact Zainab Dirani, Policy and Advocacy Manager at zainab.dirani@transgrid.com.au.

Yours sincerely

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