

Early application of a revised transmission STPIS

The Commission has published a draft determination and rule that would enable the timely application of a revised transmission STPIS in the immediate- and long-term

The Commission has made a more preferable draft rule (draft rule) that would enable the timely application of a revised transmission service target performance incentive scheme (STPIS or scheme) in the immediate- and long-term. This draft rule is in response to a rule change request submitted by the Australian Energy Regulator (AER) that seeks to amend the National Electricity Rules (NER or rules) to reopen a transmission network service provider's (TNSP) revenue determination for the purpose of applying a revised STPIS during a regulatory control period (enduring power).

In the immediate-term, the draft rule would align certain STPIS components with Version 6 of the scheme. In the long-term, the draft rule would require the AER to consult on the potential early application of a revised STPIS during its review into the scheme and allow it to decide whether the revised scheme should be applied early in its final decision. This includes stipulating any necessary early application arrangements.

We are seeking stakeholder feedback by 2 April 2026.

The draft rule would support the reliability of the transmission network

The draft rule aims to support the function of the STPIS to enhance the reliability of the transmission network. The STPIS is a scheme that provides incentives to TNSPs to improve or maintain a high level of service for the benefit of participants in the NEM and end users of electricity. It should promote the efficient investment in, and efficient operation and use of, network services in the long-term interests of consumers.

In the long-term, the timely application of a new STPIS should enhance the reliability of the transmission network by allowing the benefits of the new scheme to be realised sooner, in instances where it is considered appropriate to apply a revised scheme early. In the immediate-term, aligning the current STPIS components with Version 6 of the scheme would also ensure that incentives are in place that:

- do not penalise TNSPs irrespective of actions they may take
- reflect the current circumstances of the electricity system.

The draft rule would align certain STPIS components with Version 6 of the scheme

The draft rule enables the staged removal and application of the individual STPIS components in line with Version 6 of the scheme. The performance of a TNSP against each component from the relevant date would therefore be an input for the 2027-28 tariff year. The relevant dates include:

- **1 January 2026** – the market impact component (MIC) would be disapplied so that TNSP performance would no longer be subject to adjustments under the MIC.
- **1 July 2026** – TNSP performance would be assessed against a new target for the loss of supply frequency performance parameter in the service component (SC). The revised target would simply be the number calculated before rounding was applied in STPIS Version 5.

The draft rule does not provide for the early application of the network capability component (NCC).

The draft rule would require the AER to consult on the potential early application of a future STPIS

The draft rule requires the AER to consult on the potential early application of a revised STPIS during the relevant review, with the AER deciding whether to apply it or any of its components early in its final determination. This includes determining any early application arrangements. In making the draft rule, the AEMC has sought to strike an appropriate balance between:

- supporting consultation with stakeholders on the potential early application of a new STPIS
- creating a more efficient way to apply a revised STPIS, thereby allowing the benefits of a new scheme to be realised sooner
- preserving the intent for the STPIS to operate over the long-term to support behavioural change
- maintaining regulatory certainty

The draft rule has been assessed against the legal framework

The Commission has considered the NEO and the issues raised in the rule change request, and assessed the draft rule against the three assessment criteria outlined below:

- **Safety, security and reliability**
 - Aligning incentives with STPIS Version 6 as soon as practical would enhance the provision of reliable electricity to consumers by ensuring that TNSPs are subject to incentive mechanisms that are fit for purpose and reflective of the current electricity system.
 - In the long-term, enabling the timely application of effective incentives would encourage TNSPs to improve or maintain a high level of service for end users of electricity.
- **Implementation considerations**
 - The draft rule seeks to simplify the application of STPIS Version 6 to TNSPs while creating benefits for consumers and alleviating unintended penalties from TNSPs.
 - Regarding the enduring power, the draft rule embeds a consultative approach to the potential early application of a future STPIS. It provides an opportunity for stakeholders to raise any concerns before any final decision on the potential early application of the new scheme is made.
- **Principles of good regulatory practice**
 - In the long-term, the draft rule aims to strike a balance between the flexibility needed to enable the timely application of a revised STPIS in response to the changing circumstances of the NEM, with the need for regulatory certainty for business and operational decisions.

The Commission has also considered the revenue and pricing principles. The Commission determined that the draft rule's staged approach to aligning the STPIS incentives with Version 6 of the scheme and our proposed approach for the enduring power are consistent with the revenue and pricing principles.

We encourage you to make a submission

The Commission is seeking written submissions on its draft determination and draft rule.

To make a submission, go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code ERC0421. **Submissions are due by 2 April 2026.**

For information contact:

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