

02 April 2026

Australian Energy Market Commission (AEMC)  
Level 15, 60 Castlereagh Street  
Sydney NSW 2001

Electronic lodgement ERC0421

Dear Sir/Madam,

**RE: ERC0421 Draft Determination - Early adoption of Revised Service Target Performance Incentive Scheme (STPIS) for Transmission**

AusNet welcomes the opportunity to provide our submission in response to the AEMC's Draft Determination on the early adoption of a revised transmission STPIS.

We are the largest diversified energy network business in Victoria with over \$13 billion of regulated and contracted assets. We own and operate three core regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network, as well as a significant portfolio of contracted energy infrastructure.

AusNet supports the AEMC's draft determination as a proportionate and targeted response to an identified deficiency in the current STPIS framework.

In summary, AusNet:

1. Supports the early adoption of limited and manageable elements of AER's STPIS Version 6 under AEMC's proposal, including the proposed implementation approach
2. Considers that care is needed in establishing an enduring power for early STPIS application, given potential impacts on regulatory certainty, investment planning and incentive effectiveness, and
3. Considers that if an enduring power is progressed, it should be guided by clear principles, supported by structured consultation and applied transparently.

We also support Energy Networks Australia's submission to this consultation.

## **Support for early application of STPIS Version 6**

AusNet supports the disapplication of the Market Impact Component (MIC) from 1 January 2026. The AER has found that the MIC is no longer operating as intended nor provides a credible or controllable incentive signal.

We also support the revised Service Component approach from 1 July 2026. This change is a limited adjustment to baseline measurement and can be implemented without significant system or process impacts.

AusNet agrees the Network Capability Component (NCC) is better addressed at next regulatory period given the greater administrative complexity associated with early implementation.

Given the limited scope of proposed early changes, we do not see a need for a mandated consultation period for the AER to revoke or substitute NSP determination to give effect to early adoption. Nor does AusNet see any administrative barriers to the proposed implementation approach.

## Enduring power for early STPIS application

AusNet acknowledges the AEMC's intent to improve flexibility in the STPIS framework where early application may deliver timely benefits.

At the same time, AusNet considers that care is needed in establishing a broad enduring power for early application of future STPIS changes within a regulatory control period. Mid-period changes to incentives can affect NSP long-term planning, resourcing and risk management decisions, which are typically settled through the revenue determination process.

AusNet considers that these impacts are best managed when material incentive changes are developed and implemented in alignment within a five-year regulatory cycle. The cycle provides an established framework for testing trade-offs between expenditure, risk and customer outcomes in an integrated way.

We have not observed evidence of systemic or urgent changes since introduction of STPIS, that would, at this time, require a standing power of broader scope. Previous adoption of STPIS has been addressed through targeted rule changes, supported by consultation and evidence of specific need.

## Clear principles and structured consultation to exercise of enduring power

AusNet supports the AEMC's proposal that a consultative approach be used to govern the exercise of enduring power should it be progressed.

In our view, an effective consultation should require a clear separation between scheme design and scheme application processes, and that they be conducted sequentially.

Scheme design can be complex, and involves defining and evidencing the problem; developing incentive design options; considering exceptions; and assessing net benefits. Scheme application is a separate process that involves setting baselines; targets; considering net benefits for early adoption; and transitional arrangements for individual TNSPs.

Combining these stages risks constraining stakeholder input and creating inefficient consultation processes – such as considering implementation approach before underlying scheme design has settled.

AusNet therefore supports developing AER guidance to set clear principles on early STPIS application. This guidance should consider transitional requirements; data availability and quality; time to set baseline and targets; and the net benefits of adopting earlier compared to implementation at next regulatory control period.

## Conclusion

AusNet supports the proposed early adoption of STPIS Version 6 as a measured response to a known issue in the current framework. However, AusNet cautions against broader structural change without clear evidence of need. Maintaining alignment between incentive design and five-yearly revenue determination cycle remains important to delivering efficient outcomes for consumers.

If you wish to discuss above details further, I can be contacted at [REDACTED]

Yours sincerely,



Jack San

Senior Manager, Energy Policy

**AusNet**