



02 April 2026

Ms Anna Collyer

Chair

Australian Energy Market Commission

GPO Box 2603

Sydney NSW 2001

Email: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Anna,

**Draft Determination: Early application of a revised Service Target Performance Incentive Scheme**

Energy Networks Australia (ENA) welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC's) draft determination on the early application of a revised Service Target Performance Incentive Scheme (STPIS).

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business in Australia.

ENA supports the AEMC's draft rule and considers it a pragmatic outcome for consumers and transmission businesses.

We remain concerned about an enduring power for the AER to require early application of future STPIS changes within a regulatory period, given the potential for increased regulatory uncertainty.

These concerns can be addressed constructively by embedding clear principles and other measures to guide the AER's decisions on early application, consistent with questions raised in the AEMC draft determination.

Whilst we support the draft rule as a positive step, the inclusion of principles would provide greater transparency and robustness for the updated STPIS framework for future early application decisions.

**ENA support for the draft rule**

ENA supports the AEMC's more preferable draft rule and agrees that:

- Disapplying the market impact component (MIC) from 1 January 2026 is appropriate given the AER's findings that the current design is not working as intended.
- Aligning the service component loss of supply frequency parameter with Version 6 from 1 July 2026 is sensible and manageable, noting some TNSPs may face transitional system and template changes.
- Not applying the Version 6 network capability component (NCC) early, and instead picking this up at the next regulatory control period, appropriately reflects the higher administrative and system burden associated with those changes.

ENA considers the draft rule reduces known issues with the current STPIS in a timely way and provides a structured path for considering early application of future STPIS changes.

## **Concerns over an enduring power**

While in-principle the ENA and our members support early application where it is clearly in the long-term interests of consumers, there remain concerns with a broad enduring power which enables the AER to reopen revenue determinations mid-period and require transmission entities to adopt future STPIS versions or components at its discretion.

Our concerns centre on regulatory uncertainty with frequent or unpredictable mid-period changes to incentive schemes making it more challenging for TNSPs to resource, plan, invest and manage risk efficiently. Complex changes undertaken under tight timeframes also potentially increases the risk of errors, misaligned incentives or data challenges that do not serve consumers. Without clear guardrails in place, stakeholders may be unclear about when early application will be used, and what evidence the AER will rely upon.

Whilst the draft rule improves on a pure enduring power by anchoring early application in the STPIS review process and requiring consultation, we consider that consultation alone does not sufficiently address concerns about how the AER will balance speed, complexity, system impacts and consumer benefits. A clear framework of principles, applied transparently, is needed to ensure early application is only used where it is mutually agreed that it is appropriate, and not used where it would create disproportionate costs or uncertainty.

## **Addressing these concerns through a framework of principles**

ENA supports the AEMC's focus in the draft determination on using explicit principles to guide the AER's early application decisions. Embedding these in the rules would give stakeholders a clear reference point of how the AER will weigh competing considerations, consistent with the AEMC's intent to combine flexibility with regulatory certainty.

When the AER reviews the STPIS and consults on early application, it should test proposed changes against these principles and explicitly reference them, and its supporting evidence, in any preference to apply, or not apply, revised provisions early. This would also allow TNSPs and consumer groups to frame their submissions around the same principles, improving the focus and quality of consultation and providing a more transparent alternative to an unconstrained enduring power.

ENA recommends that the final rule include clear principles to frame the evidence base for any potential AER early application decisions and inform how quickly changes are implemented. In deciding on early application, the AER should provide an evidence base that considers:

- the technological transitions required to implement the revised STPIS and the impact on TNSP and AER systems, processes, including any administrative processes, and templates
- the availability and quality of relevant data sets
- the overall complexity of the change relative to current arrangements

These principles should in turn drive timing.

- Where changes are relatively simple, such as parameter adjustments, clarifications, or removal of obviously problematic elements that do not require material system or data changes, early application could occur more quickly with mutual agreement between each TNSP and the AER, following a short consultation. Consideration should also be given to the availability and quality of relevant data to meet changing requirements.
- Where changes are more complex, for example, a new STPIS component, significant new data requirements, or material system changes, application should only occur with more extensive consultation and will often be better aligned with the next regulatory control period.

The AEMC could consider a specific measure relating to enduring powers such as the need for mutual agreement between each TNSP and the AER prior to implementation of early application STPIS changes.

It is important that the AER explores the degree to which STPIS changes are simple or complex, scales consultation and implementation timeframes accordingly, and frames its reasons explicitly against these principles so stakeholders can clearly understand and test early application decisions.

Importantly there must be a benefit for customers, for example through reductions in cost, improvements to transparency, or other parameters.

## **Conclusion**

ENA supports the AEMC's draft determination. We support early application where it fixes clear problems or delivers clear consumer benefits.

We are concerned about broad enduring powers that introduce uncertainty without a similar introduction of adequate guardrails to protect consumer benefits. Those concerns can be addressed by embedding clear, practical principles to guide the AER's decisions on early application, focused on technological transition needs and system impacts, data availability, and complexity. Additionally, early implementation of STPIS changes should only occur with mutual agreement between the AER and each TNSP.

We would be pleased to work with the AEMC and the AER on refining these principles and ensuring they operate effectively in practice. If you would like to discuss this submission, please contact Russell Pendlebury, General Manager, Regulation and Policy ([rpindlebury@energynetworks.com.au](mailto:rpindlebury@energynetworks.com.au)).

Yours sincerely,

A handwritten signature in blue ink that reads "Dom Adams". The signature is stylized with a large 'D' and a long horizontal stroke at the bottom.

Dominic Adams  
**Chief Operations Officer**

## Attachment: Questions

QUESTION	Sub issues	WG Responses
<b>Question 1. Treatment of the STPIS component in the draft rule</b>	Do you support the proposed treatment of the components in the draft rule	
<b>Question 2: The timing of removing and applying incentives to align with STPIS Version 6</b>	<p>Do you agree with these two dates to remove and apply the incentives to align with STPIS Version 6?</p> <ul style="list-style-type: none"> <li>• Do you agree with disapplying the MIC from 1 January 2026?</li> <li>• Do you agree with aligning the service component values with STPIS Version 6 (not applying the Version 5 rounding requirement) for performance from 1 July 2026?</li> <li>• Do you agree with retaining TNSPs on Version 5 of the NCC until their next regulatory control period?</li> </ul> <p>Are there significant administrative issues that would prevent removing or applying these incentives on the identified dates</p>	
<b>Question 3: Consultation to give effect to STPIS Version 6</b>	Should there be a mandated period of consultation in order for the AER to revoke and substitute a TNSP's revenue determination to give effect to the new target value under the service component?	The period of consultation needed will depend on the complexity of changes being introduced.
<b>Question 4: Consulting on the early application of a future STPIS (enduring power)</b>	<p>Do you consider that embedding the consultation on early application arrangements during the AER's review of the STPIS is sufficient?</p> <p>Should the draft rule outline any explicit principles the AER should consider when</p>	

	determining whether to apply a revised STPIS early	
<b>Question 5: Detailing early application arrangements in the AER's final decision</b>	<p>Do you consider the draft rule provides sufficient flexibility in the early application arrangements?</p> <p>Do the early application arrangements mitigate concerns regarding regulatory uncertainty?</p>	The draft rule provides sufficient flexibility, but the enduring power, does introduce an element of regulatory uncertainty.
<b>Question 6: Additional timing restrictions or guardrails on the early application of a revised STPIS</b>	<p>Should there be any time limitations imposed for when a revised STPIS could be applied to a TNSP?</p> <p>Should any other restrictions or guardrails be incorporated into the draft rule</p>	<p>Where TNSPs are already part way through a financial year, the AER should wait till the following period for application of the revised STPIS.</p> <p>As noted in the submission, principles should be applied in the rules to help guide AER consultation and implementation of a revised STPIS on an enduring basis.</p>
<b>Other</b>		