

1 April 2026

Jacqueline Price
Adviser
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Ms Price

Re: Early application of a revised transmission Service Target Performance Incentive Scheme, Consultation Paper

TasNetworks welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) Draft Determination¹ for the *Early application of the Service Target Performance Incentive Scheme (STPIS)* rule change. TasNetworks is the Transmission Network Service Provider (TNSP) for Tasmania. We broadly support the AEMC's draft decision, particularly regarding the removal of the Market Impact Component (MIC) for 2026. However, TasNetworks remains concerned about the AER's enduring power to apply future STPIS versions mid-period, but considers this risk can be managed through guiding principles governing early application decisions.

TasNetworks notes that Energy Networks Australia (ENA) has also prepared a submission on behalf of Australia's electricity transmission networks. TasNetworks supports ENA's comments.

Our support for the draft rule

TasNetworks supports the AEMC's draft rule and acknowledges the AEMC's responsiveness to stakeholder views during the initiation stage of the consultation. While TasNetworks has been receiving bonuses under the MIC in previous years, when construction begins for the critical North-West Transmission Development we expect that the required outages will result in a maximum penalty under the MIC for each calendar year from 2026-2029.

TasNetworks will work with generators and market participants to minimise market impact of outages whilst balancing project delivery timelines and efficiency. However, irrespective of any prudent outage management practises, maximum MIC penalties are expected to be incurred whilst the MIC applies to TasNetworks. Prudent, customer-beneficial investment is

¹ AEMC, [ERC0421 Early application of a revised transmission STPIS - Draft Determination](#), 19 February, 2026.

therefore penalised under a scheme designed to reward reliability. This outcome is not unique amongst TNSPs. Mainland networks are experiencing significant changes in the energy generation mix as the sector transitions from large coal generators to more distributed resources.

TasNetworks considers that the AER's updated STPIS version 6 reflects this reality. The AEMC's decision to allow early application of version 6 to disapply the MIC is a fair outcome and consistent with the intent of incentive schemes. Where a scheme component can no longer influence behaviour, it ceases to deliver any benefit to customers.

Enduring power considerations

TasNetworks is currently in the middle of a regulatory control period running through to 2029. Incentive scheme parameters and expected financial outcomes are implicitly factored into revenue modelling and customer engagement during the revenue determination process, and changes introduced mid-period carry real implementation costs. While TasNetworks supports this decision to allow for early application of version 6 of STPIS is supported by TasNetworks, an enduring power to apply future versions of STPIS during a regulatory period warrants careful constraint.

TasNetworks supports early application of updated incentive schemes when there are clear long-term benefits for consumers, particularly in circumstances where a scheme component has become distortionary and is no longer capable of incentivising efficient behaviour. While TasNetworks considers the AEMC's decision requiring the AER to consult on early application to be an improvement, we submit that the AEMC should also require guiding principles to be followed by the AER to help manage potential issues associated with early application of incentive schemes.

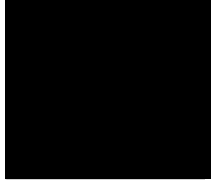
At a minimum, the AER should consider and publish the following principles before deciding on early application:

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

Where large issues exist that are distorting the entire scheme's purpose, and the changes are simple and easy to apply, early application could occur with mutual agreement between TasNetworks and the AER. When changes are more complex or extensive but aren't addressing significant issues such as the MIC issue, then waiting until the commencement of a new regulatory period would be preferable. This would also allow TNSPs to engage with its customers on a changing scheme in more detail.

We thank the AEMC for the opportunity to comment on the Draft Determination. To discuss the views expressed in this submission please contact Sam Riewoldt, Senior Regulatory Analyst, at [REDACTED]

Yours faithfully



Marthinus Le Roux
Head of Regulation