

Rule determination

National Electricity Amendment (Early application of a revised transmission Service Target Performance Incentive Scheme) Rule 2026

Proponents

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.



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Summary

- 1 The Australian Energy Market Commission (AEMC or Commission) has made a more preferable final rule (final rule) that will enable the timely application of a revised transmission service target performance incentive scheme (STPIS or scheme) in the immediate- and long-term. This final rule is in response to a rule change request submitted by the Australian Energy Regulator (AER) that sought to amend the National Electricity Rules (NER or rules) to allow it 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).
- 2 The final rule will:
 - In relation to the application of STPIS Version 6, align certain STPIS components with Version 6 of the scheme. This involves:
 - Disapplying the market impact component (MIC) for relevant TNSPs for performance from 1 January 2026
 - Amending the target for the loss of supply event frequency parameter under the service component (SC) for relevant TNSPs for performance from 1 January 2027
 - Not making any changes in relation to the network capability component (NCC) under STPIS Version 6. The NCC will continue to be aligned with STPIS Version 5 until the commencement of a TNSP's next regulatory control period.
 - In relation to any future changes to the STPIS and how these should be applied, introduce the ability for the AER to implement a revised STPIS before a new regulatory control period commences, only after public consultation on the proposed early application arrangements. The final rule separates the consultation on amendments to the STPIS from consultation on its early application. Following the latter, the AER can revoke and substitute a TNSP's revenue determination to give effect to the determined early application arrangements.¹
- 3 In making the final rule, the Commission has considered the issues raised in the AER's rule change request, as well as concerns raised by stakeholders in response to the draft determination. In its rule change request, the AER identified both immediate- and long-term issues within the current NER framework:
 - **Immediate-term:** The AER published Version 6 of the transmission STPIS in April 2025. Under the current rules, the AER cannot apply this to a TNSP until the start of its next regulatory control period.² The AER sought to apply the STPIS Version 6 components early.
 - **Long-term:** The AER lacks an enduring power to apply a revised STPIS during a regulatory control period in a timely way to respond to the changing circumstances.³ The AER considers that changes and refinements to the transmission STPIS are likely to be required more often as the energy system transitions. As such, the enduring power would enable the timely implementation of more effective incentive mechanisms that better reflect the energy system.⁴
- 4 The final rule accounts for the issues identified by the AER and stakeholder concerns regarding the need for regulatory certainty, an assessment of the costs and benefits associated with early application, and whether any final rule is consistent with established governance and decision-

1 The final rule defines 'early application arrangements' as arrangements for the application of a new scheme, or any part of a new scheme, to a TNSP.

2 The AER, Rule change request, August 2025, p. 5.

3 The AER, Rule change request, August 2025, p. 5.

4 The AER, Rule change request, August 2025, p. 5.

making. Ultimately, the final rule strikes an appropriate balance between:

- enabling consumer benefits to be realised sooner through the application of a more effective incentive scheme, where appropriate;
- ensuring appropriate consideration of the operational and practical impacts on TNSPs if a revised scheme is applied early; and
- maintaining regulatory certainty.

The final rule will support the reliability of the transmission network in the immediate- and long-term

5 The STPIS is designed to provide 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.⁵ The final rule supports the effective functioning of the STPIS and its role in enhancing the reliability of the transmission network by enabling the application of incentive arrangements that better reflect the conditions of the electricity system.

6 In the long-term, the final rule provides a framework that enables the timely application of STPIS components, where considered appropriate, following a thorough assessment of the benefits of early application. This will support the ongoing effectiveness of the STPIS as the energy system continues to evolve, and reduce the risk that outdated incentives persist if the scheme no longer operates as intended. In effect, benefits to consumers can be realised sooner.

7 In the immediate-term, staging the application of STPIS Version 6 components addresses the ineffectiveness of certain components under the current scheme, while limiting excessive implementation complexity. The final rule ensures that incentives are in place that:

- better reflect the current circumstances of the electricity system;
- address components of the scheme that are no longer functioning as intended; and
- do not penalise TNSPs irrespective of actions they may take.

The Commission has considered stakeholder feedback in making its decision and made amendments to the draft rule

8 Stakeholder input and feedback helped shape our final determination. We considered feedback to the draft determination via written submissions and held discussions with stakeholders, which brought further depth to our understanding of the issues raised in regard to the draft rule. The Commission has addressed the feedback regarding the early application of STPIS Version 6 and the enduring power in our final rule.

9 In regard to the early application of STPIS Version 6, all stakeholders generally supported the staged early suspension and application of the relevant individual STPIS Version 6 components, with TNSPs emphasising that this approach is timely and proportionate given the potential complications and benefits of its early adoption. The Commission further considered the AER's proposed changes to the draft rule's treatment of the SC and NCC, but has not changed the approach to both components. Only one amendment has been made to the SC, which moves the commencement date of the new loss of supply event frequency target values to 1 January 2027 following feedback from the AER through bilateral consultation post the draft determination on the appropriate implementation timing.

⁵ NER, clause 6A.7.4(b).

- 10 In regard to the enduring power in the draft rule, the Commission received mixed feedback from stakeholders. The feedback largely discussed the issues of:
- regulatory certainty
 - whether additional guardrails are required to guide the AER's decision-making
 - whether granting the enduring power to the AER is consistent with good governance.
- 11 To address these concerns, the Commission has made two key amendments when developing the final rule:
1. Separate the consultation on the STPIS itself from that on any early application arrangements – this change has been made in response to stakeholder feedback that these processes should be separated, given the differing aims of scheme design and scheme application.
 2. Embed matters that the AER must have regard to in its assessment of the early application of a revised STPIS – these matters have been included in response to stakeholder concerns that consultation alone may not be sufficient in mitigating regulatory uncertainty. These matters should reduce this risk by guiding the AER's consultation and decision-making.
- 12 The Commission considers that these improvements should address concerns raised by stakeholders by providing greater regulatory certainty and predictability around the circumstances in which early application of a revised STPIS may occur and what these early application arrangements will be.

We assessed our final rule against three assessment criteria, taking stakeholder feedback into account

- 13 The Commission has considered the NEO⁶ and the issues raised in the rule change request and assessed the final rule against three assessment criteria outlined below. We gathered and analysed stakeholder feedback in relation to these criteria.
- 14 The more preferable final rule will contribute to achieving the NEO by:
- **Enhancing the provision of reliable electricity to consumers**
 - Aligning the STPIS incentives applied to TNSPs with Version 6 of the scheme as soon as practicable will introduce more relevant and targeted incentives, while removing incentives that are no longer effectively influencing TNSP behaviour or delivering consumer benefits.
 - In the long-term, enabling early application of a revised STPIS allows the benefits to consumers arising from the revised scheme to be realised sooner than would otherwise be possible under the status quo.
 - **Accounting for practical and implementation considerations associated with applying a revised STPIS early**
 - The final rule simplifies the application of STPIS Version 6 to TNSPs, while maximising benefits for consumers and alleviating unintentional penalties for TNSPs.
 - The final rule includes safeguards to ensure that any consideration of the early application of a revised STPIS appropriately accounts for the practical and operational impacts on TNSPs.

6 Section 7 of the NEL.

- **Balancing regulatory certainty, flexibility and decision-making in an evolving electricity system**

- The final rule balances the need for regulatory certainty with the flexibility required to maintain effective and relevant incentives that improve the reliability of the transmission network. The Commission has:
 - determined that an enduring power is necessary to provide flexibility to keep up with the pace and scale at which the electricity system is changing
 - strengthened the safeguards in the final rule to mitigate the risk of regulatory uncertainty and to ensure that a thorough assessment of the benefits of early application is undertaken
 - determined that it is appropriate for the AER to determine whether and how a revised STPIS should be applied early, given the AER's existing role in designing, administering and applying the STPIS.

15 The Commission has also considered the revenue and pricing principles.⁷ The Commission determined that the final rule's staged approach to aligning the current STPIS incentives with Version 6 of the scheme is consistent with these principles, given that the MIC is no longer influencing TNSP behaviour, whereas the SC has continued to do so. The staged alignment reflects these differing impacts.

16 The Commission also determined that enabling the early application of a future STPIS would be consistent with the revenue and pricing principles because the AER must have regard to the NEO when making a decision and the principles contained within. We consider that a revised STPIS developed by the AER is expected to give effect these legal frameworks, and this extends to the AER's consideration of its early application. See further details of the Commission's assessment in section 2.2.2.

The final rule will align certain STPIS incentives with Version 6 of the scheme

17 The final rule specifies how the MIC and the SC should be treated to align with STPIS Version 6. It also specifies the timing for disapplying or applying the amended incentives to a TNSP's performance:

- From 1 January 2026, the MIC will be disappplied to all applicable TNSPs.
 - This means that no adjustment will be made for the MIC in relation to determining a TNSP's maximum allowed revenue for performance occurring from 1 January 2026. Additionally, the maximum allowed revenue of a TNSP cannot be adjusted for the MIC contained in Version 5 of the STPIS for the remaining regulatory years.
- From 1 January 2027, the SC in the revenue determinations for each TNSP will be aligned with STPIS Version 6 by amending the targets attributed to the loss of supply event frequency parameter in the SC. The revised targets for each TNSP will be the value calculated before rounding was applied under STPIS Version 5.
 - To give effect to this, the AER must revoke and substitute a TNSP's revenue determination by 31 December 2026. The substituted revenue determination must only vary the revoked revenue determination to the extent necessary to substitute the values to be attributed to the 'performance target' under the loss of supply event frequency performance incentive scheme parameters with the unrounded values.

⁷ Section 7A(3) of the NEL.

- It must consult with each relevant TNSP on the revocation and substitution of its revenue determination in relation to the rounding requirement updates.

18 The final rule does not make any changes in relation to the NCC. TNSPs will remain on STPIS Version 5 of the NCC until their next regulatory control period.

The final rule allows the AER to consult and determine early application arrangements to apply a revised STPIS early

19 The final rule introduces the ability for the AER to implement a revised STPIS before a TNSP's next regulatory control period commences. In order for the AER to do so, it must consult on its proposed early application arrangements for each relevant TNSP in a separate consultation process from that on the STPIS amendments. Following this consultation, the AER can determine in its final decision whether the revised scheme should be applied early, and the early application arrangements to give effect to this. These arrangements have been designed to address stakeholder concerns raised in submissions to the draft determination regarding regulatory certainty and the frequency of updates to the scheme.

20 The final rule operates in the following way:

- Following completion of its review of the STPIS, the AER may consult on proposed early application arrangements to allow the application of the revised STPIS partway through a TNSP's regulatory control period. This consultation must be in line with the transmission consultation procedures in rule 6A.20 of the NER.
- In determining whether to make early application arrangements, and the form of any arrangements, the AER will be guided by a set of matters it must have regard to:
 - if there are any benefits to consumers;
 - the principles in clause 6A.7.4(b); and
 - the costs and feasibility of early implementation for TNSPs.
- To give effect to any early application arrangements, the AER may revoke and substitute a TNSP's revenue determination, with the substituted revenue determination applying for the remainder of the regulatory control period.

The rule will take effect on 21 May 2026

21 The final rule will commence on 21 May 2026.

22 In practice, STPIS Version 6 would apply to TNSP performance from 1 January 2026 for the MIC and 1 January 2027 for the SC. The enduring power would practically only be exercised when the AER next consults on and publishes a revised STPIS.

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1 The Commission has made a final determination

The Australian Energy Market Commission (AEMC or Commission) has made a more preferable final rule (final rule) in response to a rule change request submitted by the Australian Energy Regulator (AER).

The rule change request sought to amend the National Electricity Rules (NER or rules) to enable the AER to reopen a transmission network service provider's (TNSP) revenue determination for the purpose of applying a revised transmission service target performance incentive scheme (STPIS or scheme) before the commencement of the TNSP's next regulatory control period (enduring power). This would enable the early application of STPIS Version 6 and the potential early application of any future revised STPIS.⁸

1.1 Our final rule will enable the timely application of a revised STPIS in the immediate- and long-term

The final rule will enable the timely removal or application of STPIS components in line with Version 6 of the scheme and the potential early application of any future STPIS after a period of consultation. The final rule will enhance the reliability of the transmission network by providing relevant and effective incentives to TNSPs, while also mitigating regulatory uncertainty and the long-term nature of the scheme.

To achieve this, the final rule will:

1. In relation to the application of STPIS Version 6, align certain STPIS components with Version 6 of the scheme. This involves:
 - Disapplying the market impact component (MIC) for relevant TNSPs for performance from 1 January 2026
 - Amending the target for the loss of supply frequency parameter under the service component (SC) for relevant TNSPs for performance from 1 January 2027
 - Not making any changes in relation to the network capability component (NCC) under STPIS Version 6. The NCC will continue to be aligned with STPIS Version 5 until the commencement of a TNSP's next regulatory control period.
2. In relation to any future changes to the STPIS and how these should be applied, introduce the ability for the AER to implement a revised STPIS before a new regulatory control period commences, only after public consultation on the proposed early application arrangements for each relevant TNSP. The final rule separates the consultation on amendments to the STPIS from consultation on its early application following stakeholder feedback to the draft determination. Following the latter, the AER can revoke and substitute a TNSP's revenue determination to give effect to the determined early application arrangements and parameter values.⁹

1.1.1 The final rule will align certain STPIS components with Version 6 of the scheme

The final rule enables the staged removal or application of the individual STPIS components in line with STPIS version 6. The specific dates are:

⁸ For the purposes of this final determination, applying a STPIS 'early' refers to applying a revised STPIS at any point before the commencement of a TNSP's next regulatory control period.

⁹ The final rule defines 'early application arrangements' as arrangements for the application of a new scheme, or any part of a new scheme, to a TNSP before the commencement of a TNSP's next regulatory control period.

1. **1 January 2026** – the MIC will be disapplied from this date so that TNSP performance will no longer be subject to adjustments under the MIC. This performance will impact the 2027-28 tariff year.
2. **1 January 2027** – TNSP performance will be assessed against a new target value for the loss of supply event frequency parameter in the SC. The revised target will be the number calculated before rounding was applied in Version 5 of the STPIS. See section 3.1 for the revised target value for each relevant TNSP. The revised target would impact performance that will be an input into the 2028-29 tariff year.

The final rule does not provide for the early application of the NCC. This approach is consistent with the draft rule, where the Commission determined not to apply the NCC early due to the additional complexity of transitioning this component partway through a regulatory control period. As such, the NCC contained in STPIS Version 6 will commence at the start of each TNSP's next regulatory control period.

The AEMC has simplified the application of STPIS Version 6 and treats the individual components differently due to administrative complexity and implementation considerations. Furthermore, the staged timing of aligning the MIC and SC with STPIS Version 6 is due to the Commission's assessment of their early application against the legal framework. See further details in chapter 2.

See section 3.1 for further details on how the final rule applies STPIS Version 6 to TNSPs.

1.1.2 The AER can apply a revised STPIS early only after completing targeted public consultation

The final rule requires the AER to consult on the early application of a revised STPIS in a separate process to that on its consultation on the STPIS itself.¹⁰ At the conclusion of the AER's consultation process on the early application arrangements, it can make a final decision on these and give effect to them by revoking and substituting the relevant TNSP's revenue determination.

Key aspects of the final rule include:

- Separating the consultation process on the STPIS amendments from that on the early application arrangements
 - The final rule creates a separate consultation process for the AER to consult on early application arrangements (which may include an amendment to parameter values) for each TNSP, if the AER is seeking to apply the revised STPIS early. This consultation, which must follow the transmission consultation procedures, would commence after the conclusion of the AER's review of the STPIS. The consultation on the STPIS and potential early application arrangements has been separated into two sequential processes in response to stakeholder feedback to the draft rule. See further details in section 3.2.
- Stipulating matters that the AER must have regard to in its consultation
 - In response to stakeholder feedback regarding the importance of regulatory certainty, the final rule stipulates matters that the AER must have regard to in its consultation and determination on the early application arrangements. The final rule also provides additional flexibility for the AER to consider any matters it considers relevant.¹¹ These are:
 - If there are any benefits to consumers, relative to continuing with the old scheme
 - the principles in clause 6A.7.4(b) and the costs and feasibility of early implementation for TNSPs.

¹⁰ The AER can update the STPIS at any time in accordance with the transmission consultation procedures contained in rule 6A.20 of the NER.

¹¹ Submissions to the draft determination, AusNet, p. 2; ElectraNet, pp. 2-4; ENA, p. 2-3; Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2

- Enabling the AER to revoke and substitute a TNSP’s revenue determination to give effect to the determined early application arrangements, only after conducting public consultation.
 - Following a period of inviting written submissions and at the conclusion of the consultation on the early application arrangements, the AER can revoke and substitute a TNSP’s revenue determination to give effect to these arrangements. The AER can only amend a TNSP’s revenue determination to the extent necessary to give effect to these arrangements.

See section 3.2 for further details on how the final rule enables the potential early application of a revised STPIS.

1.2 Stakeholder feedback has shaped our determination

Stakeholder input and feedback have shaped the Commission’s considerations and final rule. We considered feedback to the draft determination via written submissions and held discussions with stakeholders, which brought further depth to our understanding of the issues raised in regard to the draft rule.

1.2.1 The Commission has aligned incentives with STPIS Version 6 as soon as practicable

In relation to the early application of STPIS Version 6, key observations that shaped the Commission’s determination include:

1. **Support for the staged approach to aligning STPIS incentives with Version 6 of the scheme** – there was broad support from stakeholders for the staged approach to applying the STPIS Version 6 incentives to TNSPs.¹² TNSPs considered that this approach appropriately recognises the practical considerations associated with implementing revised incentives partway through a regulatory control period, while responding to concerns that elements of the existing scheme are no longer operating as intended.¹³
 - The Commission has also considered the AER’s view that the NCC should be capable of early application.¹⁴ The Commission has retained the draft rule position to keep TNSPs on Version 5 of the NCC until the next regulatory control period. This reflects the Commission’s view that, due to the design and nature of the NCC, early application would raise additional transitional and implementation considerations that may need to be tailored to individual TNSPs. At the same time, the AER noted that under Version 5 of the NCC, TNSPs can vary their Network Capability Incentive Parameter Action Plan (NCIPAP) during a regulatory control period. This therefore provides a degree of flexibility prior to transitioning to Version 6.
2. **Implementation considerations relating to the practicality and timing of early application** – stakeholders did not raise significant administrative or practical concerns with the staged approach to applying the STPIS Version 6 incentives. Feedback on implementation concerns focused largely on the amendment to the loss of supply event frequency parameter under the SC. Several stakeholders considered that amending this target from 1 July 2026 could create an administrative burden on the AER and TNSPs.¹⁵ Equally, AusNet considered that this change could be implemented without significant system or process impacts.¹⁶

12 Submissions to the draft determination: AusNet, p. 1; ElectraNet, p. 1; ENA, p. 1; EUAA, p. 1; Powerlink, pp. 1-2; TasNetworks, pp.1-2; Transgrid, p. 1.

13 Submissions to the draft determination: AusNet, p. 1; ElectraNet, p. 1; ENA, p. 1; Powerlink, pp. 1-2; TasNetworks, pp.1-2; Transgrid, p. 1.

14 AER, submission to the draft determination, p. 2.

15 Submissions to the draft determination: ENA, p. 1; Transgrid, p. 1.

16 AusNet, submission to the draft determination, p. 1.

3. **Proportionality of the implementation and consultation processes** – the Commission considered stakeholder views on whether the requirements set out in the draft rule to give effect to STPIS Version 6 are proportionate. This feedback largely related to the early application of the SC:
- The AER considered that requiring the revocation and substitution of a TNSP’s revenue determination to solely implement changes to the SC would be disproportionate, and suggested that specifying the relevant target values directly in the final rule would be a more efficient approach.¹⁷
 - AusNet and ElectraNet considered that mandating an additional consultation period to apply the revised values under the SC would provide limited value, noting the change involves unrounding values already calculated by the AER and that extensive consultation has already been undertaken through the AER’s STPIS review and this rule change process.¹⁸

In response to this feedback, one amendment has been made to the timing of the application of STPIS Version 6 components between the draft and final rule. Under the final rule, TNSPs will have their performance assessed against the unrounded target value for the loss of supply event frequency parameter from 1 January 2027, rather than from 1 July 2026 as proposed in the draft rule.

This adjustment reflects implementation considerations, including the AER’s process to revoke and substitute a TNSP’s revenue determination and the Commission’s recognition that the AER applies a specific methodology to calculate TNSP performance in a calendar year in which the STPIS changes. The final rule’s timing needs to accommodate these calculations and processes. The AER advised that, having regard to these requirements, it would not be feasible to complete the necessary processes between the commencement of the final rule and 1 July 2026.

1.2.2 The Commission has strengthened the guardrails on the enduring power in response to stakeholder concerns

In relation to the enduring power, stakeholders raised several issues that have been addressed in the final rule. The key observations that shaped the Commission’s determination include:

1. **The importance of regulatory certainty** – all TNSPs and the ENA supported the draft rule’s introduction of mandatory consultation on the potential early application of a revised STPIS.¹⁹ At the same time, many TNSPs emphasised the importance of regulatory certainty and cautioned that more frequent, substantial amendments to the STPIS could create excessive administrative burden and increased costs to TNSPs if not constrained by safeguards and a clear consultation process.²⁰
2. **The need for an assessment of the costs and benefits of early application** – some stakeholders considered that the AER’s decision on whether to apply a revised STPIS early should be informed by a clear assessment of the costs and benefits of early application, relative to continued application of the old scheme until a new regulatory control period.²¹ In particular, many stakeholders emphasised the importance of assessing whether early application would deliver net benefits to consumers and contribute to improved consumer outcomes.²² To guide the AER’s assessment of early application, TNSPs and ENAs proposed

17 AER, submission to the draft determination, p. 3.

18 Submissions to the draft determination: AusNet, p. 1; ElectraNet, pp. 1-2.

19 Submissions to the draft determination: AusNet, p. 2; ElectraNet, pp. 2-4; ENA, p. 2-3; Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2.

20 Submissions to the draft determination: AusNet, p. 2; ENA, p. 2; Powerlink, p. 2.

21 Submissions to the draft determination: AusNet, pp. 2-3; CS Energy, p. 2.

introducing guiding principles. The suggested principles include matters such as administrative practicality, demonstrable consumer benefit and data availability and quality.²³

3. **Whether the enduring power is consistent with established governance and decision-making** – Energy Users Association of Australia (EUAA) raised concerns that the enduring power would be an overreach in the AER’s decision-making capabilities.²⁴ The EUAA emphasised the importance of maintaining clear governance boundaries and a separation between rule-making and regulatory functions.²⁵

In making the final rule, we have considered this feedback and introduced additional safeguards that mitigate these concerns. We have also considered the evolving nature of the energy system and whether the final rule would address an issue that will further materialise in the future. See further details in section 2.3.3.

The Commission understands that consultation on the early application of a revised STPIS is an important safeguard to mitigate concerns about regulatory certainty and to ensure that decisions deliver consumer benefit. This mechanism was introduced in the draft rule to ensure all stakeholders have the opportunity to raise concerns, such as operational or practical issues, associated with applying a revised STPIS or any of its components early. However, the Commission heard from stakeholders that consultation alone may not be sufficient to mitigate the risk of regulatory uncertainty associated with early application and has made amendments to the draft rule to account for this:

- **Separating consultation on the STPIS from that on its potential early application** – separating consultation on the STPIS amendments from consultation on its potential early application, ensures a more targeted consultation process and avoids early application being considered solely as a secondary outcome of the STPIS review. It enables the AER to directly consult with stakeholders on the benefits, costs and practical impacts of early application. This is distinct from consultation on scheme design, which is ordinarily undertaken during the AER’s review of the STPIS. This approach also allows the AER to engage directly with individual TNSPs on proposed parameter values, where relevant.
- **Embedding matters the AER must have regard to in its assessment of early application of a revised STPIS** – these four matters provide additional regulatory certainty by setting clear decision parameters to guide the AER’s assessment of early application. They ensure that the decision on whether a STPIS is applied early is evidence-based and would deliver consumer benefits, while appropriately recognising that early application may have operational impacts on TNSPs or interact with existing regulatory arrangements.

Ultimately, the final rule strikes an appropriate balance between:

- enabling consumer benefits to be realised sooner through the application of a more effective incentive scheme, where appropriate;
- ensuring appropriate consideration of the operational and practical impacts on TNSPs if a revised scheme is applied early; and
- maintaining regulatory certainty.

The Commission’s consideration of stakeholder feedback and assessment of the final rule against the legal framework is further discussed in chapter 2.

22 Submissions to the draft determination: AusNet, p. 2; ElectraNet, p. 2; ENA, p. 2; TasNetworks. p. 2.

23 Submissions to the draft determination, AusNet, p. 2; ElectraNet, pp. 2-4, ENA, pp. 2-3, Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2.

24 EUAA, submission to the draft determination p. 1.

25 EUAA, submission to the draft determination p. 2.

1.3 Our determination will support reliability in the immediate- and long-term

The STPIS is designed to provide 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. As outlined in the NER, the STPIS should:²⁶

- provide greater reliability of the transmission system that is owned, controlled or operated by it at all times when transmission network users place the greatest value on the reliability of the transmission system; and
- improve and maintain the reliability of those elements of the transmission system that are most important to determining spot prices.

The final rule supports the effective functioning of the STPIS and its role in enhancing the reliability of the transmission network by enabling the application of incentive arrangements that better reflect the conditions of the electricity system.

In the long-term, providing a framework that enables the timely application of revised STPIS components, where considered appropriate, supports the ongoing effectiveness of the STPIS as the energy system continues to evolve. The final rule reduces the risk that outdated incentives persist, should the scheme no longer operate as intended, and enables benefits to consumers resulting from the revised scheme to be realised sooner.

The Commission also considers that there are benefits to enabling the AER to decide whether early application of a revised STPIS is appropriate in particular circumstances. As the body responsible for developing and administering the STPIS and for deciding on revenue determinations, the AER has a detailed understanding of how the scheme operates in practice and how any amendments to the incentives would impact consumers and TNSPs. The Commission further notes that it does not opine on the merits of amendments made by the AER to the design of the STPIS when considering early application. In the absence of early application arrangements, any revised STPIS would apply at the commencement of a TNSP's next regulatory control period.

In the immediate-term, staging the application of STPIS Version 6 components addresses the ineffectiveness of certain components under the current scheme, while limiting excessive implementation complexity. The final rule ensures that incentives are in place that:

- better reflect the current circumstances of the electricity system;
- address components of the scheme that are no longer functioning as intended; and
- do not penalise TNSPs irrespective of actions they may take.

²⁶ NER, clause 6A.7.4(b).

2 The rule will contribute to the energy objectives

This chapter sets out how the final rule promotes the National Electricity Objective (NEO). It explains how the final rule promotes the reliability of the electricity system, addresses implementation considerations and maintains principles of good regulatory practice.

2.1 The Commission must act in the long-term interests of energy consumers

The Commission can only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the relevant energy objectives.²⁷

For this rule change, the relevant energy objective is the NEO:

The NEO is:²⁸

to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system; and
- (c) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The [targets statement](#), available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NEO.²⁹

2.2 We must also take these factors into account

2.2.1 We have considered whether to make a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NEO.³⁰

For this rule change, the Commission made a more preferable final rule. The reasons are set out in section 2.3 below.

2.2.2 We have considered the revenue and pricing principles

We have to take into account the revenue and pricing principles when making rules with respect to incentives for regulated transmission system operators to make efficient operating and investment decisions including, where applicable, service performance incentive schemes.³¹

27 Section 88(1) of the NEL.

28 Section 7 of the NEL.

29 Section 32A(5) of the NEL.

30 Section 91A of the NEL.

31 NEL Schedule 1 item 23.

Relevantly, the revenue and pricing principles provide that a regulated network service provider should be provided with effective incentives in order to promote economic efficiency with respect to the direct control network services the operator provides.³²

The Commission has assessed both the alignment of incentives with STPIS Version 6 and the ability for the AER to apply a revised STPIS early against the revenue and pricing principles.

Early application of incentives in line with STPIS Version 6

The Commission has assessed the early application of the individual components in STPIS Version 6 against the revenue and pricing principles. We determined:

- Disapplying the MIC in line with STPIS Version 6 from 1 January 2026 is consistent with the revenue and pricing principles.
 - In its review, the AER determined that the MIC was no longer working as intended.³³ It considered that factors outside the control of TNSPs have driven the substantial increase in the number of \$10/MWh events and therefore the number of penalties incurred by TNSPs.³⁴ Under these circumstances, if a TNSP knows it is likely to incur maximum penalties under the MIC irrespective of its actions, the incentive to better manage outages is diminished. The AER considered this was the case for Ausnet, ElectraNet, Powerlink and Transgrid.³⁵
 - The Commission therefore considers that in its current form, the MIC is not providing efficient incentives that lead to the efficient provision of electricity network services. This is because the MIC is no longer influencing a TNSP's behaviour and has not provided TNSPs with effective incentives that promote economic efficiency with respect to the direct control network services the operator provides. Disapplying the MIC for performance on and from 1 January 2026 corrects for this.
- Commencing the SC from 1 January 2027 is consistent with the revenue and pricing principles.
 - The AER's amendment to the SC was due to the concern that TNSPs, who had their target for the loss of supply event frequency parameter rounded to zero, were incurring penalties for any loss of supply event. When a target is zero, rewards are not possible and the best a TNSP can do is avoid a penalty.³⁶
 - This is currently only the case for two TNSPs – Powerlink and Transgrid. The Commission considers that for the other TNSPs whose target is greater than zero, the SC has continued to provide effective incentives consistent with the revenue and pricing principles. Furthermore, while Powerlink's and Transgrid's target may be zero, there is still the incentive to minimise the number of unplanned network outages and the time taken to restore these outages. Therefore, the Commission considers that the SC has continued to provide effective incentives consistent with the revenue and pricing principles over the previous years, as the component has shaped TNSP behaviour.

32 Section 7A of the NEL.

33 The AER, Explanatory Statement to the Electricity Transmission Service Target Performance Incentive Scheme Version 6, 17 April 2025, p. 27.

34 The AER, Explanatory Statement to the Electricity Transmission Service Target Performance Incentive Scheme Version 6, 17 April 2025, p. 27.

35 The AER, Explanatory Statement to the Electricity Transmission Service Target Performance Incentive Scheme Version 6, 17 April 2025, p. 27.

36 The AER, Explanatory Statement to the Electricity Transmission Service Target Performance Incentive Scheme Version 6, 17 April 2025, p. 26.

- Not to commence the NCC under STPIS Version 6 early.
 - The NCC for STPIS Version 6 will apply at the start of a TNSP's next regulatory control period, in line with existing arrangements. This decision has been made due to the design and nature of the NCC, where early application would raise additional transitional and implementation considerations that may need to be tailored to individual TNSPs.

Early application of any future STPIS

The Commission has determined that introducing the ability for the AER to apply a revised STPIS partway through a regulatory control period is consistent with the revenue and pricing principles. In reaching this view, the Commission understands that the nature and extent of future amendments to the STPIS are uncertain. As such, the Commission must be satisfied that any early application of a revised STPIS is consistent with those principles.

The Commission notes that the AER is guided by the National Electricity Law (NEL) and the principles contained within, including the revenue and pricing principles. A revised STPIS developed by the AER would therefore be expected to give effect to these frameworks. This extends to the AER's consideration of whether a revised STPIS should be applied early, including whether early application would provide incentives that promote economic efficiency in the provision of direct control network services. Taken together, the Commission considers that this legal framework provides sufficient assurance that any early application of a revised STPIS would be consistent with the revenue and pricing principles and deliver outcomes in the long-term interests of consumers.

2.2.3 We have considered whether to make a final rule for the Northern Territory

The NER, as amended from time to time, apply in the Northern Territory, subject to modifications set out in regulations made under the Northern Territory legislation adopting the NEL.³⁷ Under those regulations, only certain parts of the NER have been adopted in the Northern Territory.

The more preferable final rule does not relate to parts of the NER that apply in the Northern Territory. As such, the Commission has not considered Northern Territory application issues.

See Appendix C for more detail on the legal requirements for our decision.

2.3 How we have applied the legal framework to our decision

The Commission must consider how to address the immediate-term and long-term issues identified by the AER against the legal framework. In making the final rule, the Commission has considered whether there is merit in applying STPIS Version 6 components early, how early application of Version 6 should be implemented, and whether the AER should be able to consider and determine the early application of any future revised STPIS.

We identified the following criteria to assess whether the proposed rule change, no change to the rules (business-as-usual), or other viable, rule-based options are likely to better contribute to achieving the NEO:

- **Safety, security and reliability** – we considered whether the early application of STPIS Version 6 and any future revised STPIS would enhance outcomes for consumers by promoting the reliability of the transmission network.
- **Implementation considerations** – we considered the implementation impacts associated with applying a revised STPIS early. This included assessing the most effective and proportionate

³⁷ These regulations under the NT Act are the National Electricity (Northern Territory) (National Uniform Legislation) (Modifications) Regulations 2016.

approach to enabling TNSP performance to be assessed against STPIS Version 6 as soon as practicable, and how the final rule can account for the actions and time needed for a TNSP to operationalise any changes in response to a revised STPIS.

- **Principles of good regulatory practice** – we considered how best to balance the need for regulatory certainty with ensuring that the STPIS continues to provide relevant and effective incentives that reflect the evolving nature of the electricity system. This included consideration of ways to minimise potential regulatory uncertainty arising from the early application of a revised STPIS. The Commission also considered whether it is consistent with good regulatory practice for the AER to determine any early application arrangements, having regard to its role in designing, administering and applying the STPIS, compared to maintaining the status quo.

These assessment criteria reflect the key potential impacts – costs and benefits – of the rule change request, for impacts within the scope of the NEO. Our reasons for choosing these criteria are set out in section 4.3 of the consultation paper. No stakeholder comments were received on the proposed assessment criteria.

The Commission has evaluated the impacts of the various policy options against the assessment criteria, taking into account stakeholder submissions.

The rest of this section explains why the final rule best promotes the long-term interests of consumers when compared to other options and assessed against the criteria.

2.3.1 The final rule will enhance the provision of reliable electricity to consumers

The final rule will enable the more timely application of a revised STPIS that better reflects the state of the electricity system in both the immediate- and long-term. In doing so, the reliability of the transmission network will be enhanced.

Early application of incentives in line with STPIS Version 6

Aligning the STPIS incentives with Version 6 of the scheme as soon as practicable will:

- introduce more relevant and targeted incentives
- remove incentives that are no longer effectively influencing TNSP behaviour and therefore delivering consumer benefit.

Taken together, these changes will enhance the provision of reliable electricity to consumers by ensuring that TNSPs are subject to incentives that are fit for purpose and reflective of the current electricity system. In making the final rule, the Commission has considered both the AER's rationale for the amendments in STPIS Version 6 and stakeholders' feedback on the draft determination.

During the AER's review of STPIS Version 5, there was broad consensus that the scheme was no longer operating as intended. This was most evident in relation to the MIC, under which TNSPs were incurring maximum penalties irrespective of their actions to manage and schedule outages.³⁸ As a result, the AER suspended the MIC and amended the SC and NCC. See appendix B.2 for a summary of the findings from the AER's review.

Stakeholders broadly supported the draft rule's approach to staggering the removal and application of incentives in line with STPIS Version 6.³⁹ Stakeholder submissions echoed previous concerns raised during the AER's review of the STPIS and in submissions to the consultation paper, in which aspects of the STPIS were no longer functioning as intended.⁴⁰ Having regard to

38 The AER, Explanatory Statement to the Electricity Transmission Service Target Performance Incentive Scheme Version 6, 17 April 2025, pp. 2-3.

39 Submissions to the draft determination: AusNet, p. 1; ElectraNet, p. 1; ENA, p. 1; Powerlink, pp. 1-2; TasNetworks, pp. 1-2; Transgrid, pp. 1-2.

these concerns, the Commission has retained the draft rule’s position to stage the application of STPIS Version 6 incentives as soon as practicable. However, the timing of when STPIS Version 6 incentives will be applied has been informed by the revenue and pricing principles outlined in section 2.2.2 and the practical implementation considerations outlined in section 2.3.2.

Early application of a future revised STPIS

The final rule will enhance the provision of reliable electricity to consumers over the long-term by enabling the benefits of a revised scheme to be realised sooner than under the status quo. Without the final rule, an incentive scheme that is expected to improve TNSP performance would generally only take effect at the commencement of each TNSP’s next regulatory control period, unless a separate rule change is progressed by the AEMC.

While the final rule requires the AER to undertake consultation on both amendments to the STPIS and the potential early application of those changes separately, these steps will occur in a single, integrated process. Although the processes are sequential, this approach avoids the need for a separate and additional rule change process to determine whether early application is permissible. Instead, it provides a more efficient and predictable framework for considering early application following a decision on a revised STPIS. This is further reinforced by the final rule, which specifies matters the AER must have regard to when assessing the costs and benefits of early application. This provides clearer guidance on when early application would be appropriate.

For example, the AER is currently convening a working group that aims to recommend alternatives to the MIC.⁴¹ Under the final rule, once these changes have been consulted on and finalised, the AER will be able to consider its early application in a timely manner. Thereby, allowing consumer benefits to be realised earlier than without the final rule.

The Commission also considered the EUAA’s concern that, given the uncertainty around future amendments to the STPIS, granting the AER an enduring power could lead to unclear or uneven impacts across stakeholders.⁴² The Commission acknowledges this concern but notes that the AER can only amend the STPIS if it is satisfied that the scheme gives effect to the principles outlined in clause 6A.7.4(b) of the NER. In particular, clause 6A.7.4(b)(1) requires the STPIS to provide effective incentives that deliver benefits to consumers through improved network performance. These concerns are further considered in section 2.3.3.

Having regard to this framework, the Commission considers that enabling the AER to consult on and determine whether a revised STPIS should be applied early provides a pathway for consumer benefits to be realised in a timely manner.

2.3.2 The final rule accounts for practical and implementation considerations associated with applying a revised STPIS early

The final rule accounts for the practical considerations associated with applying components of STPIS Version 6 and any future STPIS early.

Early application of incentives in line with STPIS Version 6

The final rule simplifies the application of STPIS Version 6 to TNSPs, while maximising benefits for consumers and alleviating unintentional penalties for TNSPs. Stakeholders were broadly supportive of the staged approach to aligning incentives with Version 6 of the STPIS, recognising

40 Submissions to the draft determination: AusNet, p. 1; ElectraNet, p. 1; ENA, p. 1; Powerlink, pp. 1-2; TasNetworks, pp. 1-2; Transgrid, pp. 1-2.

41 The AER, Explanatory Statement to the Electricity Transmission Service Target Performance Incentive Scheme Version 6, 17 April 2025, p. 13.

42 EUAA, submission to the draft determination, p. 2.

that the draft rule accounts for the administrative complexity of applying each STPIS Version 6 component.⁴³

The Commission also considered the AER's feedback, in which:⁴⁴

- the amended NCC in Version 6 of the STPIS should be, in the AER's view, capable of early application
- the proposed process in the draft rule to revoke and substitute a TNSP's revenue determination to substitute the unrounded loss of supply event frequency parameter targets is disproportionate and procedurally inefficient.

As outlined in section 1.2.1, the Commission has retained the draft rule's position that TNSPs remain subject to Version 5 of the NCC until the commencement of their next regulatory control period. Given the design and nature of the NCC, the Commission considers that early application would raise additional transitional and implementation considerations that may need to be tailored to individual TNSPs. On this basis, the Commission considers it appropriate to retain TNSPs on Version 5 of the NCC. This position is further supported by the AER's observation that under Version 5 of the NCC, TNSPs can vary their NCIPAP during a regulatory control period, providing a degree of flexibility before transitioning to Version 6.

The Commission has further considered the practical application of a revised target under the loss of supply event frequency parameter in the SC. Under the final rule, TNSPs will be subject to an unrounded target on and from 1 January 2027 and this would be given effect to through the revocation and substitution of the relevant revenue determinations by 31 December 2026. This differs from the draft rule, which enabled the unrounded target to be applied on and from 1 July 2026. We have made this change in response to further feedback from the AER on the draft rule on the feasibility of revoking and substituting a revenue determination by 30 June 2026.

In its submission, the AER indicated that revocation and substitution of each TNSP's revenue determination for the purpose of applying a revised SC target is disproportionate.⁴⁵ Separately, the AER informed the Commission that requiring the AER to revoke and substitute each TNSP's revenue determination by 30 June 2026 would not be feasible.

The Commission acknowledges this and has considered an alternative approach of stipulating the revised target values for each relevant TNSP directly in the final rule, supported by the AER's calculation methodology to assess TNSP performance against a revised parameter partway through a regulatory year. This approach aimed to avoid the need for the AER to revoke and substitute each relevant TNSP's revenue determination.

However, the Commission considers that, if this approach were to be adopted for a mid-calendar year commencement, the rule would also need to clearly specify how TNSP performance is to be assessed across different parts of the regulatory year – this being, against a rounded target from 1 January 2026 to 30 June 2026, and an unrounded target from 1 July 2026 to 31 December 2026. While the AER has noted that the approach to conducting this calculation is an established regulatory practice, the Commission does not consider it appropriate to rely on such arrangements in making a rule without specific reference to an existing guideline or instrument.

Having regard to these considerations, and noting the AER's concerns about its ability to revoke and substitute a revenue determination by 1 July 2026, the Commission considers that 1 January 2027 would be a better commencement date for applying the revised SC values. This date

43 Submissions to the draft determination: AusNet, p. 1; ElectraNet, p. 1; ENA, p. 1; Powerlink, p. 2; TasNetworks, Transgrid, p. 2.

44 AER, submission to the draft determination, pp. 2-3.

45 AER, submission to the draft determination, p. 3.

recognises the practical implementation constraints, while still allowing the benefits of a more effective incentive to be realised as soon as practicable.

AusNet and ElectraNet also submitted that mandating an additional consultation process to apply the revised loss of supply event frequency values under the SC would provide limited value because:

- The change involves applying unrounded values already calculated by the AER, which limits the scope for change; and
- Extensive consultation has already been undertaken on this change through the AER's STPIS review and this rule change process.

As such, the Commission has not introduced a mandated period of consultation to give effect to these values in the final rule.

Early application of a future revised STPIS

As the nature and extent of future updates to the STPIS are uncertain, the final rule includes safeguards to ensure that any consideration of early application of a revised STPIS appropriately accounts for the practical and operational impacts on TNSPs. In response to stakeholder feedback received on the draft rule, these safeguards have been strengthened.

While the Commission considers that the early application of a revised STPIS can deliver benefits to consumers sooner, it also recognises that early application may require operational changes by TNSPs. For this reason, a consultation mechanism was introduced in the draft rule in response to initial stakeholder feedback, where TNSPs and CS Energy indicated that the early application of a STPIS would require careful consideration of the practical impacts.⁴⁶

In response to the draft determination, stakeholders further identified implementation considerations as an ongoing concern associated with a revised scheme's early application. For example, CS Energy noted that decisions on early application should be informed by an appropriate assessment of costs and benefits, and that early application arrangements should be capable of being tailored to the circumstances of individual TNSPs.⁴⁷ Similarly, TNSPs and the ENA suggested that the final rule include clear principles to guide the AER's decision-making. Implementation complexity, data availability and systems readiness were common themes amongst these stakeholders.⁴⁸

Consistent with the draft rule, the final rule enables early application arrangements to be tailored to individual TNSPs. During consultation on any proposed early application, the AER is expected to directly engage with affected TNSPs and other stakeholders to identify and assess any practical barriers, implementation constraints or transitional issues. This approach is further reinforced by including the cost and complexity of early application, relative to continued application of the existing scheme, as a matter the AER must have regard to when assessing whether early application is appropriate.

2.3.3 The final rule balances regulatory certainty, flexibility and decision-making in an evolving electricity system

The final rule balances the need for regulatory certainty with the flexibility required to maintain effective and relevant incentives that improve the reliability of the transmission network. The

46 Submissions to the consultation paper: CS Energy, p. 2; ElectraNet, p. 2; ENA, p. 3; Powerlink, p. 1; TasNetworks, p. 2; Transgrid, p. 2.

47 Submission to the draft determination, CS Energy, pp. 1-2.

48 Submissions to the draft determination, AusNet, p. 2; ElectraNet, pp. 2-4, ENA, pp. 2-3, Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2.

concerns raised in response to the draft determination that were relevant to the Commission's assessment of the final rule against principles of good regulatory practice include:

1. whether an enduring power is necessary now to address a future material problem
2. the importance of regulatory certainty that is currently provided by the five-year regulatory cycle and the long-term nature of the scheme
3. whether it is appropriate for the AER to determine whether, and how, a revised STPIS should be applied early.

The Commission considers that flexibility in the NER is needed to ensure incentives remain effective

The Commission acknowledges the infrequency of previous STPIS reviews and rules made to enable the early application of a component in a new STPIS. This sentiment was again raised by AusNet in its submission to the draft determination.⁴⁹ However, the Commission considers that as the pace and scale of change in the electricity system are accelerating, there may be instances where the STPIS is updated to reflect these new circumstances more frequently than in the past.

In these instances, flexibility in the NER allows the benefits of improved incentive design to be realised sooner. As outlined in section 2.3.1, the final rule requires the AER to undertake consultation on both amendments to the STPIS and, separately, the potential early application of those changes. Although these consultations occur separately, they are combined into a single, streamlined process. Therefore, the final rule provides flexibility that enables the efficient consideration of the early application of a revised STPIS, ensuring that incentive arrangements remain relevant to current system conditions.

At the same time, the Commission recognises that increased flexibility must be accompanied by appropriate safeguards to maintain regulatory certainty. Stakeholders raised concerns that more frequent updates to the STPIS could undermine the certainty currently provided by the five year regulatory cycle and the long-term nature of the scheme.⁵⁰ The Commission has considered these concerns and outlines how they have been addressed below.

The final rule introduces safeguards to mitigate regulatory uncertainty

The final rule strengthens the safeguards introduced in the draft rule to mitigate the risk of regulatory uncertainty and to ensure that a thorough assessment of the benefits of early application is undertaken. The Commission acknowledges stakeholder concerns that enabling early application of a revised STPIS, without a separate rule change process, could give rise to uncertainty for TNSPs.⁵¹ Furthermore, we understand that regulatory certainty is important for TNSPs as it promotes efficient decision-making by allowing market participants to understand the impact of the regulatory framework on business and operational decisions.⁵²

The final rule addresses stakeholder concerns that consultation alone is insufficient to mitigate the regulatory uncertainty associated with the potential to apply a revised STPIS early.⁵³ It achieves this by:

- separating consultation on the STPIS from that on its potential early application

49 AusNet, submission to the draft determination, p. 2.

50 Submissions to the draft determination: AusNet, p. 2; ENA, p. 2; Powerlink, p. 2; Transgrid, p. 2.

51 Submissions to the draft determination, AusNet, p. 2; ElectraNet, pp. 2-4, ENA, pp. 2-3, Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2

52 AEMC, Rule Determination: National Electricity Amendment (Early Implementation of Market Impact Parameters) Rule 2010, p. 6, 11 March 2010.

53 Submissions to the draft determination: AusNet, p. 2; ENA, p. 2; Powerlink, p. 2; Transgrid, p. 2.

- embedding matters that the AER must have regard to in its assessment of early application of a revised STPIS.

The Commission considers that separating the consultation on STPIS amendments from the early application of a revised scheme is the preferable approach to assessing the costs and benefits of the latter. In particular, this approach supports:

- regulatory certainty by first allowing the AER to signal to stakeholders whether it will commence consultation on early application arrangements (which may include amendments to parameter values) under the revised STPIS. This early indication provides stakeholders, particularly TNSPs, with greater clarity and lead time to prepare for, and engage with, potential changes.
- the long-term nature of the scheme, as the period of time required to conduct a review of the STPIS and subsequently consult on early application arrangements and parameter values, should prevent the frequent updates stakeholders cautioned against.⁵⁴

The Commission also considered the principles proposed by TNSPs and the ENA that are aimed at guiding the AER's decision-making.⁵⁵ The final rule adopts a condensed set of matters, informed by these proposed principles, that the AER must have regard to in its assessment of the early application of a revised STPIS. The final rule requires the AER to consider:

- the benefits to consumers
- the cost and feasibility of implementing the early application arrangements
- the STPIS principles in clause 6A.7.4(b) of the NER.

The final rule also allows the AER to take into account any other matter it considers relevant. Further explanation on the practical application of these matters can be found in section 3.2.2.

The Commission considers that these matters provide greater certainty to stakeholders as to how the AER would assess the early application of a revised scheme. Furthermore, as several stakeholders noted, embedding these considerations into the final rule improves predictability and regulatory confidence for TNSPs and consumers.⁵⁶

The Commission also considered the viability of requiring mutual agreement between the AER and TNSPs to apply a revised STPIS early, as suggested by the ENA, Powerlink, TasNetworks and Transgrid.⁵⁷ However, we do not consider this approach appropriate, as it could constrain the ability to apply revised incentives in circumstances where doing so would otherwise be expected to deliver benefits to consumers. The Commission considers that the embedded matters in the final rule provide sufficient assurance that early application would occur only where appropriate, and that the costs and impacts to TNSPs are comprehensively assessed.

54 Submissions to the draft determination: AusNet, p. 2; ENA, p. 2, Powerlink, p. 2.

55 Submissions to the draft determination: AusNet, p. 2; ElectraNet, pp. 2-4; ENA, pp. 2-3; Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2.

56 Submissions to the draft determination: AusNet, p. 2; ElectraNet, pp. 2-4; ENA, pp. 2-3; Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2.

57 Submissions to the draft determination: ENA, p. 2; Powerlink, p. 2; TasNetworks, p. 2; Transgrid, p. 2.

The Commission considers it appropriate for the AER to consult and determine whether to apply a revised STPIS early

In making the final rule, the Commission has assessed whether it is consistent with good regulatory practice for the AER to consult and determine whether a revised STPIS should be applied early. This includes enabling the AER to determine the early application arrangements to give effect to the revised STPIS.

The Commission has considered the EUAA's concerns regarding the appropriateness of providing the AER with this enduring power. This included consideration of the EUAA's comments on the circumstances in which decision-making is assigned to the market bodies. It considers that any enduring power would be a delegation of the AEMC's functions to the AER and cites that in the Draft Rule Determination National Gas Amendment (East Coast Gas System Enhancing reliability and supply adequacy arrangements) (ECGS rule change), the AEMC is proposing a new governance structure for the ECGS with the AEMC having final decision-making authority.

The Commission notes that it remains responsible for establishing the framework for the STPIS through the NER, including setting the requirements for the AER to design the scheme.⁵⁸ Given the AER's existing role in designing, administering and applying the STPIS to a TNSP and its revenue determination, the Commission does not consider that the final rule delegates rule-making functions to the AER. Rather, the Commission remains responsible for establishing the rules framework within which the STPIS operates.

Furthermore, the Commission considers that the circumstances, functions and context of the ECGS rule change is markedly different from those being considered in this rule change. We note that the ECGS rule change involves moving an AEMO review function to a new market committee chaired by the AEMC (the Gas Reliability Committee) established under the NGR to review and report on system-wide reliability market settings which are published in a report, which are ultimately approved by the AEMC by way of a separate instrument. In contrast, this rule change operates within an existing NER framework where the AER already has responsibility for designing and applying the STPIS. Additionally, while the ECGS rule change sits within a new regulatory framework and new governance function, this rule change, in contrast, builds on a pre-existing regulatory scheme and extends this by providing a mechanism for early implementation.

In performing its economic regulatory functions, the AER is bound by the NEO and the STPIS principles set out in clause 6A.7.4(b) of the NER when developing the STPIS. This legal framework applies irrespective of whether a STPIS is applied early or at the commencement of a TNSP's next regulatory control period. The Commission also does not opine on the merits of the amendments by the AER to the STPIS in considering its early application – its role is limited to determining whether a revised STPIS may be applied early.

The Commission further considers that the AER is well-placed to assess whether early application of a revised STPIS would be appropriate. As the market body responsible for developing and administering the STPIS, and for applying it through revenue determinations, the AER has detailed operational insight into:

- how the scheme functions in practice
- how any amendments to the STPIS would interact with existing regulatory arrangements
- any practical implications for TNSPs.

⁵⁸ NER, clause 6A.7.4(a).

In addition, the AER undertakes the initial consultation on the amendments to the STPIS. This places the AER in a strong position to assess whether early application would be practicable and beneficial, while operating within the safeguards established by the final rule.

3 How our rule will operate

The Commission’s final rule will enable the timely application of a revised transmission STPIS in the immediate- and long term. It does this by:

- Aligning the incentives applied to TNSPs with certain STPIS Version 6 components before TNSPs’ next regulatory control period commences. This includes disapplying the MIC for performance on and from 1 January 2026 and amending the values attributed to the loss of supply event frequency parameter under the SC on and from 1 January 2027.
- Introduce the ability for the AER to apply a revised STPIS before a new regulatory control period commences by revoking and substituting a TNSP’s revenue determination to implement any early application arrangements. This can only occur after public consultation on the proposed early application arrangements for each relevant TNSP has been carried out.

3.1 How the final rule will align certain incentives applied to TNSPs with STPIS Version 6

Box 1: The final rule will align certain STPIS components applied to TNSPs with Version 6 of the scheme

The final rule will:

- Disapply the MIC to TNSP performance on and from 1 January 2026. This means that for the 2027 regulatory year, no MIC adjustments will be made to performance between 1 January 2026 and 31 December 2026 and that the maximum allowed revenue of a TNSP cannot be adjusted for the MIC contained in Version 5 of the STPIS for the remaining regulatory years.
- Amend the target for the loss of supply frequency parameter under the SC for performance from 1 January 2027.
 - By 31 December 2026, the AER must revoke and substitute a TNSP’s revenue determination in order to amend the target under the loss of supply frequency performance parameter in line with STPIS Version 6. The revised values for each TNSP will be the number calculated before rounding was applied under STPIS Version 5.
- Not make any changes in relation to the NCC under STPIS Version 6. The NCC will continue to be aligned with STPIS Version 5. The NCC under STPIS Version 6 will apply at the commencement of a TNSP’s next regulatory control period.

Only one change has been made to the approach to aligning incentives with Version 6 of the scheme between the draft and final rule. This is to apply the unrounded targets for the loss of supply event frequency parameter on and from 1 January 2027. Further explanation on the rationale for this change is detailed in section 2.3.2.

3.1.1 The final rule will disapply the MIC and revise the targets for the SC under STPIS Version 6 on two dates

The final rule specifies how the MIC and the SC should be treated to align with STPIS Version 6. The final rule also specifies the timing for disapplying or applying the amended incentives to a TNSP’s performance:

- From 1 January 2026, the MIC will be disapplied to all applicable TNSPs. This means that no adjustment will be made for the MIC in relation to determining a TNSP's maximum allowed revenue for the remaining regulatory years of its revenue determination.⁵⁹
- From 1 January 2027, the SC in the revenue determinations for each TNSP will be aligned with STPIS Version 6 by amending the targets attributed to the loss of supply event frequency parameter in the SC. The revised targets for each TNSP will be the value calculated before rounding was applied under STPIS Version 5. To limit the consultation required by the AER to revoke and substitute each TNSP's revenue determination, the relevant values for each TNSP are specified in clause 11.192.3(f) of the final rule and in the table below:

Table 3.1: Unrounded values for each TNSP

TNSP	> (x) system minutes	> (y) system minutes
AusNet	1.4	0.6
ElectraNet	2.4	1.2
Powerlink	1.8	0.2
TasNetworks	4.2	0.8
Transgrid	1.2	0.2

Source: Clause 11.192.3(f) of the final rule.

The final rule does not make any changes in relation to the NCC. This decision has been made due to the Commission's consideration that early application of this component would raise additional transitional and implementation considerations that may require tailoring to individual TNSPs. As such, TNSPs will remain on STPIS Version 5 of the NCC until their next regulatory control period. This is further explained in section 2.3.2.

Only one change has been made to the approach to aligning incentives with Version 6 of the scheme, between the draft and final rule. This is to apply the unrounded targets for the loss of supply event frequency parameter on and from 1 January 2027. The draft rule sought to enable the revised targets to apply on and from 1 July 2026. As outlined in section 2.3.2, this change has been made in response to AER feedback that revoking and substituting a TNSP's revenue determination by 30 June 2026, as per the draft rule, would not be feasible.

A summary of the changes to the approach for each STPIS Version 6 component between the draft and final rule is outlined in Table 3.2.

Table 3.2: Summary of changes to each incentive from the draft to final rule

Component	Treatment in the final rule	Changes from the draft to final rule
Market impact component	<p>The MIC will be disapplied to all relevant TNSPs on and from 1 January 2026.</p> <p>The AER would not need to revoke and substitute a TNSP's revenue determination to give effect to this change.</p>	No change.

⁵⁹ Final rule, clause 11.192.2(c).

Component	Treatment in the final rule	Changes from the draft to final rule
Service component	<p>The revised targets under the loss of supply event frequency parameter will be applied to all relevant TNSPs on and from 1 January 2027.</p> <p>The final rule requires the AER to revoke and substitute each relevant TNSP's revenue determination to give effect to the revised targets.</p>	<p>The draft rule enabled the revised targets to be applied to TNSP performance on and from 1 July 2026.</p>
Network capability component	<p>TNSPs would remain on Version 5 of the NCC until the start of their next regulatory control period.</p>	<p>No change.</p>

Source: AEMC, Early application of a revised transmission service target performance incentive scheme, Draft rule determination, 19 February 2026.

3.1.2 The AER must revoke and substitute a TNSP's revenue determination to give effect to the revised SC values

The final rule requires the AER to revoke and substitute each relevant TNSP's revenue determination to give effect to the new SC targets. These targets are the values attributed to the loss of supply event frequency parameter with the value it would have been if the rounding requirement was not applied. The rounding requirement is the requirement in paragraph 3.2(k) of STPIS Version 5 that, unless a performance deadband is applied, performance targets, floors and caps for loss of supply event frequency parameters must be rounded to the nearest integer number.

By 31 December 2026, the AER must:

- Consult with each relevant TNSP on the revocation and substitution of its revenue determination to align the SC with Version 6 of the STPIS, in relation to the rounding requirement updates⁶⁰
- Revoke a TNSP's revenue determination⁶¹
- Make a new revenue determination in substitution for the revoked revenue determination. The revised revenue determination will apply for the remainder of the regulatory control period of the revoked determination⁶²
 - A substituted revenue determination must only vary from the revoked revenue determination to the extent necessary to:⁶³
 - substitute the value to be attributed to the target for the loss of supply event frequency parameter with the value it would have been if the rounding requirement was not applied; and
 - apply the new target value for performance from 1 January 2027 to the end of the relevant regulatory control period.

For the AER to revoke and substitute a revenue determination to give effect to the changes in the draft rule, the AER must consult with the relevant TNSP. The Commission has considered

60 Final rule, clause 11.192.3(e).

61 Final rule, clause 11.192.3(c)(1).

62 Final rule, clause 11.192.3(c)(2).

63 Final rule, clause 11.192.3(d).

feedback in response to the draft rule, where AusNet and ElectraNet considered a specific period of consultation to give effect to the amended targets is not necessary, because:⁶⁴

- The change involves applying unrounded values already calculated by the AER, which limits the scope for change; and
- Extensive consultation has already been undertaken on this change through the AER's STPIS review and this rule change process.

Accordingly, the final rule only requires the AER to consult with the relevant TNSP. The rule does not prescribe or mandate the form that this consultation must take, allowing it to be proportionate to the scope of the change.

The final rule does not provide for early application arrangements for Murraylink Transmission Company Pty Ltd ABN 42 089 875 605 (Murraylink) under the new scheme (Version 6 of the STPIS) in respect of the service component, because the AER has not applied the loss of supply event frequency parameter to Murraylink's 2023-28 revenue determination.⁶⁵

The Commission notes that clause 11.[XXX].3(f) of the draft rule allowed any consultation undertaken by the AER before the effective date of the final rule in anticipation of any amending rule being made to satisfy the consultation requirements to the same extent it would have done if undertaken after the effective date.⁶⁶ The Commission has removed this clause from the final rule due to the application of the revised loss of supply event frequency targets being moved to 1 January 2027.

3.2 How the final rule will allow a revised STPIS to be applied early

Box 2: The final rule will allow the AER to apply a revised STPIS to a TNSP prior to the start of its next regulatory control period, only after public consultation

The final rule introduces the ability for the AER to implement early application arrangements for a revised STPIS before a TNSP's next regulatory control period commences. In order for the AER to do so, it must consult on its proposed early application arrangements and parameter values for each relevant TNSP in a separate consultation process from that on the new STPIS amendments. Following this consultation, the AER can determine in its final decision whether the revised scheme should be applied early, and the early application arrangements to give effect to this.

The final rule operates in the following way:

- After making a new scheme, the AER may consult on proposed early application arrangements to allow the application of the new scheme partway through a TNSP's regulatory control period.
- In determining whether to make early application arrangements, and the form of any arrangements, the AER:
 - must consider if there are any benefits to consumers;
 - must take into account the principles in clause 6A.7.4(b) and the costs and feasibility of early implementation for the TNSPs; and
 - may take into account any other matter that the AER considers relevant.

64 Submissions to the draft rule: AusNet, p. 1; ElectraNet, p. 2.

65 AER, [Murraylink 2023-28 - Final Decision - STPIS targets and parameters](#), April 2023.

66 AEMC, Early application of a revised transmission service target performance incentive scheme, Draft rule determination, 19 February 2026.

- To give effect to any early application arrangements, the AER may revoke and substitute a TNSP's revenue determination, with the substituted revenue determination applying for the remainder of the regulatory control period. The AER may only revoke and substitute a revenue determination if it has first consulted with the relevant TNSP and such other persons as the AER considers relevant.

Under the final rule:

- 'Early application arrangements' means arrangements for the application of a new scheme, or any part of a new scheme, to a TNSP before the new scheme would otherwise have applied.
- 'New scheme' means a STPIS that amends or replaces the current STPIS.
- 'Old scheme' means the STPIS amended or replaced by a new scheme.

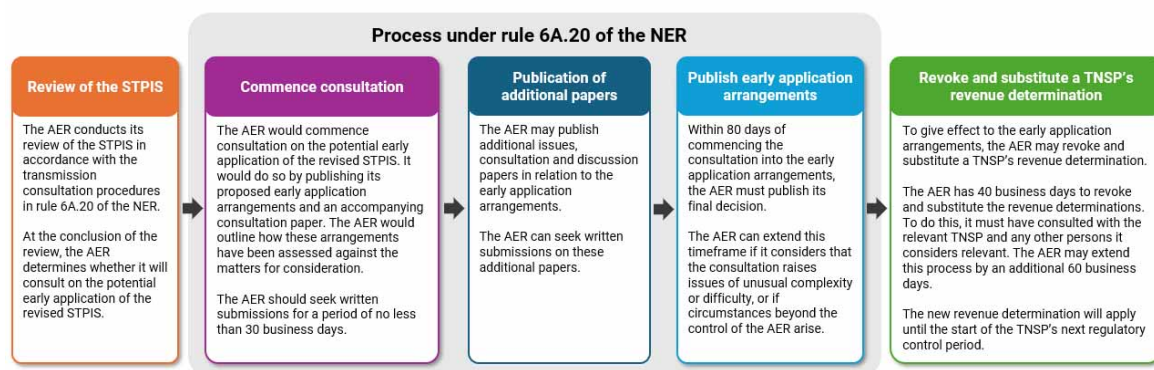
Figure 3.1 provides an overview of this process.

The final rule makes two changes to the draft rule:

- It separates the consultation on the amendments to the STPIS from that on its potential early application.
- It embeds matters that the AER must have regard to when assessing the early application of a revised STPIS.

These changes have been made in response to stakeholder feedback regarding regulatory certainty and the frequency of updates to the scheme. See further details in section 2.3.

Figure 3.1: Diagram of the process to determine early application arrangements



Source: AEMC

3.2.1 The AER must consult on early application arrangements and parameter values following a review of the STPIS

The final rule enables the AER, in accordance with the transmission consultation procedures, to make early application arrangements for a revised scheme. This can occur after the AER makes a new scheme following a review of the STPIS.⁶⁷

The AER may make early application arrangements for a new scheme in line with the transmission consultation procedures. The AER:⁶⁸

67 Final rule, clause 6A.7.4A(b).

68 NER, rule 6A.20.

- Must publish its proposed early application arrangements, which may include new or amended parameter values for each TNSP. This would be accompanied by an explanatory statement or issues paper that sets out the provision of the rules under or for the purposes of which the early application arrangements are being made.
- Must seek written submissions on the early application arrangements for no less than 30 business days.
- May publish any issues, consultation and discussion papers in relation to the early application arrangements. The AER can seek written submissions on these additional papers.
- Must publish its final decision on the early application arrangements within 80 business days of publishing its proposed arrangements and accompanying issues paper or explanatory statement. This timeframe can be extended if the AER considers that the consultation raises issues of unusual complexity or difficulty, or circumstances beyond the control of the AER arise.

3.2.2 The AER’s consultation and decision-making will be guided by a number of matters

The final rule stipulates a set of matters that the AER must or may have regard to when determining whether to make early application arrangements and the form of any early application arrangements for the new scheme. With these matters, the AER must:

- consider if there are any benefits to consumers; and
- take into account the principles in clause 6A.7.4(b) and the costs and feasibility of early implementation for TNSPs.

The AER may also take into account any other matter that the AER considers relevant.

As outlined in section 2.3.3, these matters have been included to strengthen the safeguards in the draft rule to mitigate the risk of regulatory uncertainty and aim to provide more confidence to industry regarding the factors the AER will need to consider when deciding on early application arrangements of a new scheme. Table 3.3 outlines the Commission’s assessment of each matter, including how stakeholder feedback informed their inclusion.

Table 3.3: Set of matters to guide the AER’s consultation and decision-making

Matter	Description and scope	How stakeholder input has informed the matter
Benefits to consumers	This matter requires the AER to assess whether early application of a revised STPIS would deliver clear benefits to consumers, as opposed to at the commencement of a TNSP’s next regulatory control period. This includes consideration of whether early application would improve service outcomes, efficiency or incentive effectiveness in the relevant regulatory control period.	Several stakeholders emphasised that early application should only proceed where it can be demonstrated to deliver clear consumer benefits. Consistent with the NEO, the Commission considers that early application should be supported by an assessment of whether it would result in a net benefit to consumers.
Principles in clause 6A.7.4(b)	This matter requires the AER to assess whether early application arrangements would remain	This consideration was not explicitly submitted by stakeholders. However, many TNSPs noted that early

Matter	Description and scope	How stakeholder input has informed the matter
	<p>consistent with the STPIS principles in clause 6A.7.4(b). This is particularly relevant where components of a revised STPIS are transitioned at different times, such that a TNSP may be subject to a combination of incentives from both the old and new schemes. In these circumstances, the resulting incentive framework must be consistent with the STPIS principles.</p>	<p>application should not undermine the long-term nature of the scheme. The Commission considers that the principles in clause 6A.7.4(b) should be applicable to any early application arrangements made.</p>
<p>Costs and feasibility of early implementation for TNSPs</p>	<p>This matter requires the AER to assess the materiality of the change and the nature of the revised incentives relative to the existing scheme. This includes consideration of implementation complexity, the data and system readiness of the TNSPs to meet the reporting or operational requirements of the revised STPIS, and any other matters that may affect the feasibility of applying the revised STPIS early.</p>	<p>Stakeholders highlighted that the early application of a STPIS should account for the overall complexity of the change, including the administrative burden for both TNSPs and the AER, and whether implementation would be straightforward or resource-intensive.</p> <p>ElectraNet further considered that the nature and time horizon of any new incentives should be assessed against existing ones when assessing feasibility. Many TNSPs also highlighted the need to consider whether the necessary data sets would be, or could soon be, available to support the revised STPIS. The cost and feasibility matter accounts for this concern.</p>

Source: AEMC

3.2.3 Early application arrangements can be tailored to the individual circumstances of the TNSPs

The final rule further clarifies that early application arrangements may include, but are not limited to:

- Early application of components of a new scheme
- Early termination of components of an old scheme
- Amending the values that are attributed to the parameters under the old scheme
- Stipulate different early application arrangements for different TNSPs
- Provide for the values that are to be attributed to new performance incentive scheme parameters to be determined as part of the revocation and substitution of a revenue determination

- Setting out the process for the AER to approve or not approve the proposed values that are to be attributed to the parameters under the STPIS.

The final rule, therefore, provides the AER with flexibility to determine whether early application arrangements are appropriate and to tailor these arrangements to the individual circumstances of each TNSP. This approach is consistent with the draft rule and was reiterated in submissions to the draft determination. For example, CS Energy considered that to enable the effective and efficient early STPIS implementation, the AER, in consultation with each TNSP, should be able to tailor the early application arrangements.⁶⁹

3.2.4 The AER can revoke and substitute a TNSP's revenue determination to give effect to the early application arrangements

The final rule enables the AER to revoke and substitute a TNSP's revenue determination in order to give effect to the early application arrangements of the new scheme. If the AER revokes a TNSP's revenue determination, the substituted revenue determination would apply for the remainder of the TNSP's regulatory control period.

The final rule requires the AER to make a decision on the revocation and substitution of a revenue determination within 40 business days from the later of:

1. the date it published the early application arrangements for a new scheme
2. if applicable, the date the relevant TNSP provides its proposed values that are to be attributed to the STPIS parameters
3. the date the AER receives any information required by the AER to make its decision.

The final rule also allows the AER to extend the 40 business day period to 60 business days where there is complexity or difficulty that would prevent revocation and substitution from occurring within the initial time frame.

While the final rule requires the AER to revoke and substitute a revenue determination within 40 business days of the later of the above actions, this does not impose a timeframe for when early application arrangements can take effect. This is consistent with the approach taken in the draft rule whilst also accounting for the additional separate consultation period added into the final rule for the early application arrangements. For example, if the AER publishes the early application arrangements for a new scheme on 1 September 2026, a TNSP's revenue determination should be revoked and substituted within 40 business days (if this is the only or later of the three actions). However, the application of the new scheme can occur at any time in the future, such as from 1 January 2027.

The final rule is consistent with the draft rule, providing that the AER may issue a notice requiring a TNSP to provide the AER (within the time specified in the notice) any information the AER requires for the purpose of making a substitute revenue determination or proposed values that are to be attributed to performance incentive scheme parameters. Given this is addressed in the revocation and substitution of the revenue determination part of the rule, the final rule removes this requirement under the early application arrangement section of the rule to remove duplication.

Furthermore, the final rule retains the limitations inserted in the draft rule. These being that:

- a substituted revenue determination may only vary to the extent necessary to give effect to the new scheme.⁷⁰

⁶⁹ CS Energy, submission to the draft determination, p. 2.

⁷⁰ Final rule, clause 6A.7.4A(g).

- the AER can only revoke and substitute a TNSP's revenue determination if it has first consulted with the relevant TNSP and such other persons as the AER considers appropriate.⁷¹

3.2.5 Consequential changes

The final rule makes consequential changes to 6A.7.5 by removing sub-clauses (f), (g) and (h) which each had the text '[Deleted]'. These non-material corrections have been made to improve the quality and clarity of 6A.7.4.

⁷¹ Final rule, clause 6A.7.4A(h).

A Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

You can find more information on the rule change process on our website.⁷²

A.1 The AER proposed a rule to enable the early application of a revised transmission STPIS

The AER submitted a rule change request that seeks to amend the NER to allow it to apply a revised transmission STPIS to a TNSP's revenue determination before the start of its next regulatory control period.

The AER explained that there is currently no ability under the NER to reopen a TNSP's revenue determination during a regulatory control period for the purpose of applying a new version of the STPIS.⁷³ Under the current rules, the AER can only apply an updated STPIS to a TNSP at the time of making a revenue determination.⁷⁴ This means that if the AER updates the STPIS, the updated version cannot be applied until the start of a TNSP's next regulatory control period.

A.2 The proposal sought to address issues in the immediate- and long-term

The AER sought to address two issues through its rule change request – one in the immediate-term and one in the long-term:

1. **Immediate-term:** The AER published Version 6 of the transmission STPIS in April 2025. Under the current rules, the AER cannot apply this to a TNSP until the start of its next regulatory control period.⁷⁵
2. **Long-term:** The AER lacks an enduring power to apply a revised STPIS during a regulatory control period in a timely way to respond to the changing circumstances.⁷⁶ The AER explains that changes and refinements to the transmission STPIS are likely to be required more often as the energy system transitions. As such, the enduring power would enable the timely implementation of more effective incentive mechanisms that better reflect the energy system.⁷⁷

⁷² See our website for more information on the rule change process: <https://www.aemc.gov.au/our-work/changing-energy-rules>

⁷³ The AER, Rule change request, August 2025, p. 3.

⁷⁴ The AER, Rule change request, August 2025, p. 5.

⁷⁵ The AER, Rule change request, August 2025, p. 5.

⁷⁶ The AER, Rule change request, August 2025, p. 5.

⁷⁷ The AER, Rule change request, August 2025, p. 5.

A.3 It proposed an enduring power under the NER to apply a revised STPIS early

The AER sought an enduring power under the NER that would allow it to reopen a TNSP's revenue determination during a regulatory control period for the purpose of applying a revised STPIS, either upon application from a TNSP or on the AER's own initiative.⁷⁸ The key components of the AER's proposed rule are:⁷⁹

- Granting the ability under the NER for a TNSP to apply to the AER, or the AER to propose, that a TNSP's revenue determination be reopened for the purpose of applying a new version of the STPIS.
- Reopening a TNSP's revenue determination during a regulatory control period for the purpose of applying a new version of the STPIS can only be done after the AER conducts a review of the STPIS in accordance with the transmission consultation procedures.⁸⁰
- The AER proposes that any revised STPIS should give better effect to the principles outlined in clause 6A.7.4(b).
- If the AER revokes and substitutes a TNSP's revenue determination, the revised revenue determination and new version of the STPIS can only take effect at the start of the TNSP's next regulatory year.
- The AER's proposal or a TNSP's application to revoke and substitute its revenue determination for the purpose of applying a new version of the STPIS cannot be made within 90 business days before the end of the TNSP's regulatory year.

A.4 The process to date

On 13 November 2025, the Commission published a notice advising of the initiation of the rule making process and consultation in respect of the rule change request.⁸¹ The Commission also published a consultation paper identifying specific issues for consultation. The Commission received eight submissions on the consultation paper. Issues raised in these submissions were summarised and responded to in the draft rule determination.

On 19 February 2026, the Commission published a draft rule determination, including a draft rule. The Commission received nine submissions on the draft rule determination. Issues raised in submissions are discussed and responded to throughout this final rule determination.

78 The AER, Rule change request, August 2025, p. 1.

79 The AER, Rule change request, August 2025, pp. 10-11.

80 The AER, Rule change request, August 2025, p. 3.

81 This notice was published under section 95 of the NEL.

B Additional background and context

B.1 The STPIS provides incentives to TNSPs to improve or maintain a high level of service

The transmission 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. Specifically, the STPIS should provide incentives to a TNSP to:⁸²

- Provide greater reliability of the transmission system that is owned, controlled or operated by it at all times when transmission network users place greatest value on the reliability of the transmission system.
- Improve and maintain the reliability of those elements of the transmission system that are most important to determining spot prices.

The STPIS currently consists of three components:

- Market impact component (MIC) – provides incentives for TNSPs to schedule planned outages at times which minimise the impact on spot market outcomes, which ultimately flow through to end users.⁸³
- Service component (SC) – provides incentives for TNSPs to maintain the reliability of its network.⁸⁴
- Network capability component (NCC) – provides incentives for TNSPs to increase the capability of existing assets. This is to encourage incremental or small improvements to the existing network rather than pursuing large augmentations and expansions to the network.⁸⁵

B.2 The AER published Version 6 of the transmission STPIS in April 2025

Under the NER, the AER can commence a review into the STPIS from time to time, in accordance with the transmission consultation procedures. The AER initiated a review into Version 5 of the transmission STPIS on 8 December 2023. The AER published Version 6 of the STPIS on 17 April 2025 at the conclusion of the review.

The AER's recent review sought to address stakeholder concerns that components of the STPIS were no longer working as intended and were not providing effective incentives consistent with the NEO and principles outlined in the NER.

At the conclusion of the review, the AER made the following updates to the transmission STPIS:⁸⁶

- suspend the MIC
- streamline the administration of the NCC by no longer requiring a TNSP to submit a network capability incentive parameter action plan (NCIPAP) as part of its revenue proposal, but rather identify projects annually from its transmission annual planning report (TAPR).
- amend the SC to remove rounding in setting targets for the loss of supply frequency parameter.

The AER states that these amendments recalibrate the incentives so that TNSPs operate their networks in the best interests of market participants and consumers.⁸⁷

82 NER, clause 6A.7.4(b)(1).

83 The AER, Explanatory Statement – Proposed Transmission STPIS, November 2024, p. 11.

84 The AER, Explanatory Statement – Proposed Transmission STPIS, November 2024, p. 37.

85 The AER, Explanatory Statement – Proposed Transmission STPIS, November 2024, p. 24.

86 The AER, Explanatory Statement to the Electricity Transmission Service Target Performance Incentive Scheme Version 6, 17 April 2025.

87 The AER, Rule change request, August 2025, p. 5.

B.3 The AEMC has made two previous rules on the early application of components of the STPIS

The AEMC has, in the past, made two rules that enabled the one-off early application of components of a revised STPIS to a TNSP.

On 11 March 2010, the AEMC made a final rule that provided a process for TNSPs to apply to the AER to seek earlier implementation of the MIC than permitted under the NER at that time. In its final determination, the Commission considered that this should be a one-off provision that would allow TNSPs the option to bring forward the introduction of the MIC. In making this decision, the Commission considered the importance of regulatory certainty, as the five-year regulatory control period provides a specific timeframe that allows TNSPs to make decisions with a level of certainty.

On 19 February 2015, the AEMC made a final rule allowing TNSPs to apply to the AER to have the NCC apply within its current regulatory control period. The Commission ultimately considered that an enduring rule was outside the scope of the rule change request, but noted that any early application of a STPIS should be assessed on a case-by-case basis to ensure sufficient analysis is conducted on its potential impacts.

C Legal requirements to make a rule

This appendix sets out the relevant legal requirements under the NEL for the Commission to make a final rule determination.

C.1 Final rule determination and final rule

In accordance with section 102 of the NEL, the Commission has made this final rule determination for a more preferable final rule in relation to the rule proposed by the proponent.

The Commission's reasons for making this final rule determination are set out in chapter 2.

A copy of the more preferable final rule is attached to and published with this final determination. Its key features are described in chapter 3.

C.2 Power to make the rule

The Commission is satisfied that the more preferable final rule falls within the subject matter about which the Commission may make rules.

The more preferable final rule falls within the matters set out in Schedule 1 to the NEL as it relates to incentives for regulated transmission system operators to make efficient operating and investment decisions including, where applicable, service performance incentive schemes (item 23).

C.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NEL to make the final rule
- the rule change request
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the final rule will or is likely to contribute to the achievement of the NEO
- submissions received during second round consultations
- the application of the final rule to the Northern Territory
- the revenue and pricing principles

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.⁸⁸

C.4 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the energy ministers' that new or existing provisions of the NER be classified as civil penalty provisions or conduct provisions.

The more preferable final rule does not amend any clauses that are currently classified as civil penalty provisions or conduct provisions under the National Electricity (South Australia) Regulations.

⁸⁸ Under s. 33 of the NEL and s. 73 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy.

The Commission does not propose to recommend to energy ministers' that any of the amendments made by the more preferable final rule be classified as civil penalty provisions or conduct provisions.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
Commission	See AEMC
ECGS	East Coast Gas System
ENA	Energy Networks Australia
EUAA	Energy Users Association of Australia
MIC	Market Impact Component
NCC	Network Capability Component
NCIPAP	Network Capability Incentive Parameter Action Plan
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NT Act	<i>National Electricity (Northern Territory) (National Uniform Legislation) Act 2015</i>
SC	Service Component
STPIS	Service Target Performance Incentive Scheme
TAPR	Transmission Annual Planning Report
TNSP	Transmission Network Service Provider