

Early application of a revised transmission STPIS

The Commission has made a final rule that enables the timely application of a revised transmission service target performance incentive scheme in the immediate- and long-term

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. The 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 reopen a transmission network service provider's (TNSP) revenue determination for the purpose of applying a revised STPIS during a regulatory control period (enduring power).

In the immediate-term, the final rule will align certain STPIS components applied to TNSPs with Version 6 of the scheme. In the long-term, the final rule enables the AER to implement a revised STPIS before a TNSP's next regulatory control period, only after targeted consultation on early application arrangements.

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

The final rule stages the removal and application of the individual STPIS components in line with Version 6 of the scheme. The relevant dates include:

- **1 January 2026** – the market impact component (MIC) will be disappplied to all applicable TNSPs.
- **1 January 2027** – the service component (SC) in the revenue determinations for each applicable TNSP will be aligned with STPIS Version 6 by amending the targets attributed to the loss of supply event frequency parameter. The revised targets for each TNSP will be the value calculated before rounding was applied under STPIS Version 5.

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

The final rule enables the AER to apply a revised STPIS to a TNSP, only after public consultation

The final rule introduces the ability for the AER to apply a revised STPIS before a TNSP's next regulatory control period commences. After making a new scheme, the AER may consult on its proposed early application arrangements to allow the application of a new scheme partway through a TNSP's regulatory control period.

The final rule stipulates matters the AER must consider when determining whether to make early application arrangements, and the form of any arrangements. These are:

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

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

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 TNSP's regulatory control period.

The final rule will support the reliability of the transmission network

The final rule supports the effective functioning of the STPIS and its role in enhancing the reliability of the transmission network.

In the immediate-term, enabling the early application of STPIS Version 6 components 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 the actions they may take.

In the long-term, the final rule establishes a framework to enable the timely application of STPIS components, following public consultation and a thorough assessment of the benefits of early application. This supports the ongoing effectiveness of the STPIS by ensuring incentives remain relevant as the energy system continues to evolve, and by reducing the risk that outdated or ineffective incentives persist. In effect, the benefits to consumers through a more reliable transmission network can be realised sooner.

The final rule has been assessed against the legal framework

The Commission has considered the National Electricity Objective (NEO), the issues raised in the rule change request, and assessed the final rule against the following criteria:

- **Safety, security and reliability**
 - Aligning the STPIS incentives with Version 6 of the scheme as soon as practicable will introduce more relevant incentives and remove those that are no longer effectively influencing TNSP behaviour or delivering consumer benefit.
 - In the long-term, the final rule will enhance the provision of reliable electricity to consumers by enabling the benefits of a revised scheme to be realised sooner than under the status quo.
- **Implementation considerations**
 - The final rule simplifies the application of STPIS Version 6 to TNSPs while maximising benefits for consumers and alleviating unintentional penalties for TNSPs. It accounts for the administrative complexity of applying this scheme early.
 - The final rule strengthens the safeguards to ensure that the early application of a revised STPIS appropriately accounts for the practical and operational impacts on TNSPs. It enables early application arrangements to be tailored to individual TNSPs.
- **Principles of good regulatory practice**
 - 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 determined it is consistent with good regulatory practice for the AER to consult on, and determine, whether to apply a revised STPIS early.

The Commission has also considered the revenue and pricing principles and determined that the final rule's staged approach to aligning incentives with STPIS Version 6, and the more preferable approach to the enduring power, are consistent with these principles.

Implementation of the final rule

The final rule commences on 21 May 2026. In practice, STPIS Version 6 will apply to TNSP performance from 1 January 2026 for the MIC and 1 January 2027 for the SC. The enduring power will be exercised when the AER next consults on and publishes a revised STPIS.

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14 May 2026