Preliminary position paper

Framework and Approach Paper for Powerlink transmission determination 2027–32

April 2025

AUSTRALIAN ENERGY REGULATOR

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1 Framework and Approach

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia. The regulatory framework governing electricity transmission and distribution networks is the National Electricity Law and Rules (NEL and NER). Our work is guided by the National Electricity Objective (NEO).

A regulated network business must periodically apply to us for a determination of the revenue it can recover from consumers using its network. The Queensland electricity transmission network service provider Powerlink is due to submit its next revenue proposal on 31 January 2026, for the period 1 July 2027 to 30 June 2032 (2027–32 regulatory control period).

The first step in our process to determine efficient prices for electricity transmission service is to publish a Framework and Approach paper (F&A). The F&A sets our approach to key elements of the upcoming determination and facilitates early public consultation on these before businesses prepare and submit their revenue proposals. These elements include:

- Which incentive schemes will apply, for example, to service quality, improvements in network reliability or capital and operating expenditure.[1] The purpose of incentive schemes is to encourage network service providers to manage their business in a safe, reliable manner that serves the long-term interests of consumers. The schemes provide network service providers with incentives to only incur efficient costs and to meet or exceed service quality targets.
- Our approach to setting efficient expenditure allowances[2] and depreciation for the establishment of the opening regulatory asset base for the upcoming regulatory control period[3].

The F&A that has applied to Powerlink transmission in the current (2022–27) regulatory control period was published in July 2020. Since then, we have seen significant transition in the energy market and changes to the rules, schemes and guidelines under which we regulate electricity networks. In December 2024, we therefore confirmed that we would review and replace the F&A for Powerlink's transmission business.

This paper sets out our preliminary positions on amendments and revisions to each of the elements above and invites stakeholder views to inform our final decision.

1 NER, cll. 6A.10.1A(b)(1), (2), (3), (4) and (7)

2 NER, cll. 6A.10.1A(b)(5)

3 NER, cll. 6A.10.1A(b)(6)

1.1 About this consultation

For network businesses, like the Powerlink transmission business, that have F&As in place from previous periods, the NER provides for a review every 5 years in preparation for the next regulatory determination.

On 30 October 2024, Powerlink wrote to us, asking us to consider amending or replacing its current F&A in preparation for the 2027–32 regulatory control period. We published this letter on our website and sought submissions from stakeholders on whether amendments to or replacement of the F&A is necessary or desirable.[4]

Having received no submissions, we issued our Second Notice in December 2024 to commence the review. We considered the information provided by Powerlink and decided that we will make a replacement F&A. Our reasons for commencing this review were set out in a decision published in December 2024.[5]

As indicated in that paper, we are now engaging with stakeholders as we consider preliminary positions on the amendments and replacements required, before making a final decision on a replacement F&A in July 2025.

Submissions

We invite stakeholders to make written submissions on our preliminary positions by COB Tuesday, 6 May 2025. Submissions should be emailed to AERResets2027-32@aer.gov.au. Alternatively, you can email submissions to:

Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131,
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We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. We will treat submissions as public documents unless otherwise requested. All non-confidential submissions will be placed on the AER's website. For further information regarding the AER's use and disclosure of information provided to it, see the ACCC/AER Information Policy.

We request parties wishing to submit confidential information:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

4 AER, *Notice 1 - Calling for submissions to amend or replace F&A for Powerlink*, November 2024.

5 AER, *Decision to replace F&A for Powerlink*, December 2024.

2 Service Target Performance Incentive Scheme

We create, administer and maintain the service target performance incentive scheme (STPIS) in accordance with the requirements of the NER.[6] The purpose of the STPIS is to provide incentives to TNSPs to provide greater transmission network reliability when network users place greatest value on reliability, and improve and maintain the reliability of the elements of the transmission network most important to determining spot prices.[7]

Version 5 of the transmission STPIS[8] currently applies to Powerlink. Version 5 consists of three components:

- a market impact component (MIC), which encourages TNSPs to minimise the impact of network outages on the dispatch of generation
- a network capability component (NCC), which encourages TNSPs to undertake low-cost projects to promote efficient levels of network capability from existing assets when most needed
- a service component (SC), which has four main parameters and various sub-parameters which act as key indicators of network reliability while maintaining adequate levels of reliability.

Each year, the TNSP's maximum allowed revenue (MAR) is adjusted based on its performance against the STPIS parameters in the previous calendar year. The STPIS can result in a maximum revenue increment or decrement between one and five per cent of the annual MAR.[9]

2.1 Proposed approach

We propose to apply the transmission STPIS to Powerlink in the 2027–2032 regulatory control period. However, whereas version 5 of the STPIS currently applies to Powerlink, it is likely that an amended version (version 6) will apply for the 2027–2032 regulatory control period, as explained below.

In December 2023 we published an Issues Paper to commence our review of version 5 of the transmission STPIS. We published proposed amendments and an accompanying explanatory statement for consultation in November 2024.[10]

In its October 2024 letter[11] to the AER on whether to amend or replace Powerlink's transmission F&A, Powerlink specifically requested that we amend or replace its F&A for the 2027-32 determination in relation to STPIS. Powerlink recognised that we are in the process

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6 NER, cl. 6A.10.1A(b)(1).

7 NER, cl. 6A.7.4(b)(1).

8 *AER, Electricity transmission service target performance incentive scheme (STPIS) version 5*, 1 October 2015.

9 NER, cl. 6A.7.4(b)(3).

10 AER, *Review of electricity transmission service standards incentive schemes - Proposed Amendments*, 6 November 2024.

11 Powerlink, *Letter to AER on Framework and Approach*, 30 October 2024.

of undertaking a review of the STPIS for transmission, the outcomes of which will apply to Powerlink for the 2027-32 regulatory control period. Powerlink expressed concerns with the current form (version 5) of the STPIS and suggested that TNSPs should not be penalised for factors outside their control. Powerlink referred to recommendations it had previously made to the STPIS review in its submission[12] to our December 2023 Issues Paper, recommending:

- the introduction of greater flexibility in the STPIS
- review of the SC component
- pause or convert to report only for the MIC
- simplification of reporting and revise penalty arrangements for the NCC.

Powerlink's submission[13] to our November 2024 proposed amendments and Explanatory Statement further presented views supporting our proposed pause to the application of the MIC and removal of rounding in the SC. This submission also included Powerlink recommendations around development of a transmission outage reporting mechanism.

Our proposed amendments to the STPIS are as follows:

- **MIC** – Suspend the application of the MIC. In its absence, we propose to step up our monitoring of planned transmission outages through annual reporting.
- **NCC** – We propose to streamline the application of the NCC, as follows:
  - Remove the Network Capability Incentive Action Plan (NCIPAP) and link the NCC to a TNSP's Transmission Annual Planning Report (TAPR)
  - Better align incentive payments with revenue reductions.
- **SC** – Remove rounding from the loss of supply frequence parameter so that targets can be fractions of an event.

A detailed explanation of the reasons for our proposed amendments can be found in our explanatory statement.[14]

We plan to publish our final amendments to the STPIS on 24 April 2025, before we publish Powerlink's Final Framework and Approach Paper on 31 July 2025. In this way, we will be able to provide certainty regarding how we propose to apply the STPIS to Powerlink in the 2027–32 regulatory control period in our Final F&A paper, with full application of our final amendments to the transmission STPIS to be reflected in the draft and final determinations. Given that we have not yet completed our review of the STPIS, including formulating our final amendments, we have not included our final position on the STPIS, or our reasons for applying it, in this preliminary F&A paper.

12 Powerlink, *Submission on review of transmission STPIS*, 5 April 2024.

13 Powerlink, *Submission on proposed amendments to the transmission STPIS*, 4 February 2025.

14 AER, *Explanatory Statement - Proposed Transmission STPIS*, 6 November 2024.

3 Efficiency Benefit Sharing Scheme

The efficiency benefit sharing scheme (EBSS) is intended to provide a continuous incentive for transmission businesses to pursue efficiency improvements in opex, and provide for a fair sharing of these between businesses and consumers. Consumers benefit from improved efficiencies through lower network prices in future regulatory control periods.

We address our position on the application of the EBSS in relationship to our proposed opex forecasting approach and benchmarking below. We also explain the rationale underpinning the scheme.

Powerlink in its letter to us of October 2024[15], requested that we amend or replace its F&A for the 2027-32 determination in relation to the incentive sharing scheme for operating expenditure. Powerlink noted that it has been subject to the EBSS since its establishment for transmission businesses in 2013. It also recognised that the AER has recently undertaken a review of incentive schemes for networks, including the EBSS. Powerlink noted in the same letter that it anticipates an overspend of its operating expenditure allowance for the current regulatory control period due to factors such as supply chain challenges and inflationary pressures. Further, that it is encouraging the AER to have regard to the circumstances for any material overspends and exercise discretion on whether to apply a negative carryover for the EBSS from one regulatory control period to the next (2027-32).

This section sets out our preliminary position and reasons on how we intend to apply the EBSS to Powerlink in the 2027–32 regulatory control period.

We note that the calculation of any increments or decrements from the application of the EBSS in the 2022–27 regulatory control period is a matter for the revenue determination. In making our decision on the increments or decrements we will have regard to the matters the rules require us to have regard to when we implement the EBSS.[16]

3.1 AER's preliminary position

We intend to apply the EBSS to Powerlink in the 2027–32 regulatory control period if we are satisfied the scheme will fairly share efficiency gains and losses between Powerlink and consumers.[17] This will occur only if the opex forecast for the following period is based on Powerlink's revealed costs.

On 30 April 2023, we published a final decision on our review of incentive schemes, including the EBSS.[18] Our decision in that review was that revisions to the EBSS were not necessary. Our preliminary position is that our 2027–32 determination for Powerlink will apply the EBSS as per the version 2 form introduced in 2013[19] and maintained in the 2023 review. Our transmission determination for Powerlink for the 2027–32 regulatory control period will specify if and how we will apply the EBSS.

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15 Powerlink, *Letter to AER on Framework and Approach*, 30 October 2024.

16 NER, cl. 6A.5.8(c).

17 NER, cl. 6A.6.5(a).

18 AER, *Final decision - Review of incentive schemes for networks*, 28 April 2023.

19 AER, *Efficiency benefit sharing scheme*, 29 November 2013.

3.2 AER's assessment approach

The EBSS must provide for a fair sharing of opex efficiency gains and efficiency losses between a network service provider and network users.[20] We must also have regard to the following factors in developing and implementing the EBSS:[21]

- the need to ensure that benefits to electricity consumers likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme
- the need to provide service providers with a continuous incentive to reduce opex
- the desirability of both rewarding service providers for efficiency gains and penalising service providers for efficiency losses
- any incentives that service providers may have to capitalise expenditure
- the possible effects of the scheme on incentives for the implementation of non-network alternatives.

3.3 Reasons for AER's preliminary position

The EBSS in its current form (version 2) applies to Powerlink in the 2022−27 regulatory control period.[22]

We intend to apply the EBSS to Powerlink in the 2027–32 regulatory control period if we are satisfied the scheme will fairly share efficiency gains and losses between Powerlink and consumers. We will only apply the EBSS in the 2027–32 regulatory control period if we expect we will use a revealed cost forecasting approach to forecast opex for the 2032–37 regulatory control period. We will not apply the EBSS if it is likely we will *not* use a revealed cost forecasting approach to forecast opex for the 2032–37 regulatory control period.

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20 NER, cl. 6A.6.5(a).

21 NER, cl. 6A.6.5(b).

22 AER, *Final framework and approach for Powerlink 2022-27*, July 2020.

4 Capital Expenditure Sharing Scheme

The capital expenditure sharing scheme (CESS) provides financial rewards to TNSPs whose capex becomes more efficient and financial penalties for TNSPs whose capex becomes less efficient. Consumers benefit from improved efficiency through lower regulated prices.

The CESS approximates efficiency gains and efficiency losses by calculating the difference between forecast and actual capex. It shares these gains or losses between TNSPs and network users.

The CESS mechanism was recently updated in April 2023.[23] The changes to the CESS will apply to Powerlink's 2027–32 regulatory control period as follows:

- we calculate the cumulative underspend or overspend for the current regulatory control period in net present value terms
- we apply the sharing ratio of 30 per cent of all efficiency loses, and a tiered rate for efficiency gains, to work out what the service provider's share of the underspend or overspend should be[24]
- we calculate the CESS payments taking into account the financing benefit or cost to the service provider of the underspend or overspend.[25] We can also make further adjustments to account for deferral of capex and ex post exclusions of capex from the regulatory asset base (RAB)[26]

Powerlink in its letter to us of October 2024[27], requested that we amend or replace its F&A for the 2027−32 determination in relation to the incentive sharing scheme for capital expenditure. Powerlink noted that it has been subject to the CESS since its establishment for transmission businesses in 2013. It also recognised that the CESS was included in a recent AER review of incentive schemes for networks. Powerlink noted in the same letter that it anticipates an overspend of its capital expenditure allowance for the current regulatory control period due to factors such as supply chain challenges and inflationary pressures. As previously noted with regard to the EBSS, Powerlink is encouraging the AER to have regard to the circumstances for any material overspends and exercise discretion on whether to apply a negative carryover for the CESS from one regulatory control period to the next (2027−32).

This section sets out our preliminary position and reasons on how we intend to apply the CESS to Powerlink in the 2027–32 regulatory control period.

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23 AER, *Final decision - Capital expenditure incentive guideline*, 28 April 2023

24 The tiered rate calculation for efficiency gains will apply a 30 per cent sharing ratio for any underspend amount up to and including 10 per cent of the approved forecast capex allowance, while any amount greater will incur a 20 per cent sharing ratio.

25 We calculate benefits as the benefits to the service provider of financing the underspend since the amount of the underspend can be put to some other income generating use during the period. Losses are similarly calculated as the financing cost to the service provider of the overspend.

26 The capex incentive guideline outlines how we may exclude capex from the RAB and adjust the CESS payment for deferrals. AER, *Capital Expenditure Incentive Guideline for Electricity Network Service Providers*, April 2014, pp. 7–9.

27 Powerlink, *Letter to AER on Framework and Approach*, 30 October 2024.

4.1 AER's preliminary position

On 30 April 2023, we published a final decision on our review of incentive schemes, including the CESS.[28] Our decision in that review was that changes should be made to the sharing ratios in the CESS to implement a tiered arrangement, contributing to more realistic capex proposals. The reasons for adopting this CESS are set out in our final decision for the review of incentive schemes for networks, and the final decision for Capital Expenditure Incentive Guideline.[29]

We anticipate that a further updated version of the CESS may apply to our final F&A for Powerlink in the 2027–32 regulatory control period. In August 2024 the Australian Energy Market Commission (AEMC) published an amending rule for Managing ISP project uncertainty through targeted ex post reviews.[30] On 21 February 2025, we commenced a review of the Capital Expenditure Incentive Guideline in light of the AEMC rule change, with submissions due by 21 March 2025.[31] The paper noted that we must update our Capital Expenditure Incentive Guideline to enable us to carry out separate targeted ex post review for Integrated System Plan (ISP) projects and non-ISP projects. It discussed applying CESS penalties on efficient overspends, including adding flexibility to adjust the CESS penalty following an ex post review for efficient overspends, for both ISP projects and possibly, non-ISP projects.

We will release our final updated Capital Expenditure Incentive Guideline by September 2025. Our preliminary position is that Powerlink will be subject to the updated Capital Expenditure Incentive Guideline for the 2027–32 regulatory period.

4.2 Reasons for proposed approach

We propose the CESS continues to apply to Powerlink in the 2027–32 regulatory control period. We consider this will contribute to the capex incentive objective.[32]

In developing the CESS we considered the capex incentive objective, capex criteria, capex objectives and the CESS principles. The CESS is designed to work alongside other incentive schemes that apply to TNSPs including the EBSS and STPIS.

If a TNSP spends less than its approved forecast capex during a regulatory control period, that TNSP will benefit within that regulatory control period. At the end of the regulatory control period, the TNSP's RAB will be updated to include new capex. The RAB will include a lower capex amount than would be the case if the TNSP had spent the full forecast capex amount. This is where any sharing of capex underspends (or overspends) with consumers occurs. Thus consumers will also benefit from a capex underspend but this will occur at the end of the regulatory control period as the result of lower future prices.

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28 AER, *Final decision - Review of incentive schemes for networks*, 28 April 2023.

29 AER, *Final decision - Review of incentive schemes for networks*, 28 April 2023, pp. 14–22; and AER, *Final decision - Capital expenditure incentive guideline*, 28 April 2023.

30 AEMC, *Managing ISP project uncertainty through targeted ex post reviews: Final determination*, 1 August 2024.

31 AER, *Capital Expenditure Incentive Guideline Review - Consultation Paper*, 21 February 2025.

32 NER, cl. 6A.5A(a) and 6A.6.7(c).

As the end of the regulatory control period approaches, the time available for the TNSP to retain any savings gets shorter. The earlier in the regulatory control period a TNSP incurs an underspend, the greater is its reward. Without a CESS the TNSP may choose to spend earlier on capex, spend less on capex (at the expense of service quality), or displace opex with capex. The TNSP may make these choices when it is not efficient to do so. The CESS maintains the TNSP's incentive to spend less than its forecast capex as the TNSP approaches the end of its regulatory control period.

The CESS means the TNSP faces the same reward and penalty for capex underspends or overspends in every year of the regulatory control period. The CESS provides TNSPs with an ex-ante incentive to spend only efficient capex. TNSPs that make efficiency gains will be rewarded through the CESS. Conversely, TNSPs that make efficiency losses will be penalised through the CESS. In this way, TNSPs will be more likely to incur only efficient capex when subject to a CESS, increasing the likelihood that capex included in the TNSP's RAB reflects the capex criteria. Specifically, if a TNSP is subject to the CESS, its capex is more likely to be efficient and to reflect the costs of a prudent TNSP.

When the CESS, EBSS and STPIS apply to a TNSP the incentives for improvements in opex, capex and service outcomes are balanced. This encourages businesses to make efficient decisions concerning when and what type of expenditure to incur. Businesses are incentivised to efficiently balance expenditure reductions against service quality and reliability.

5 Small-scale incentive scheme

The NER provide that we may develop small-scale incentive schemes (SSIS).[33]

We note Powerlink has undertaken to further consider matters other than STPIS, CESS and EBSS that are identified in the NER as part of the F&A process and will engage with the AER and customers on these matters. This includes any SSIS (where applicable). This was conveyed in Powerlink's letter to us of 30 October 2024.[34]

Powerlink has not yet proposed a detailed incentive design developed in conjunction with its customers. As such, we do not propose to apply a small-scale incentive scheme to Powerlink for the 2027–32 regulatory control period.

33 NER, cl. 6A.7.5.

34 Powerlink, *Letter to AER on Framework and Approach*, 30 October 2024.

6 Demand management incentive allowance mechanism

A Demand Management Incentive Allowance Mechanism (DMIAM) for transmission encourages transmission businesses to expand and share their knowledge and understanding of innovative demand management projects that may reduce long term network costs and, consequently, lower prices for consumers.

On 27 May 2021 we published a final DMIAM for electricity transmission networks.[35]

We did not apply the DMIAM to Powerlink for the 2022–27 regulatory control period.[36] This was because we considered that Powerlink's proposed approach to undertake research and development activities for demand management in the 2022−27 regulatory control period as part of its business-as-usual functions would deliver the intended outcomes of the DMIAM.

We note Powerlink has undertaken to further consider the DMIAM as part of the F&A process and will engage with the AER and customers on this matter. This was conveyed in Powerlink's letter to us of 30 October 2024.[37]

We propose to engage further with Powerlink and other stakeholders, including the Powerlink Customer Panel and our Consumer Challenge Panel (CCP34), before deciding on whether to apply the DMIAM to Powerlink for the 2027–32 regulatory control period. This will include consideration of the efficacy of Powerlink's approach to innovative demand management projects in the absence of DMIAM during the 2022−27 regulatory control period.

35 AER, *Demand management innovation allowance mechanism - Transmission*, May 2021.

36 AER, *Final decision - Powerlink 2022-27*, 28 April 2022, p. 56, pp. 67-70.

37 Powerlink, *Letter to AER on Framework and Approach*, 30 October 2024.

7 Expenditure forecast assessment guideline

The Expenditure Forecast Assessment Guideline sets out our expenditure forecast assessment approach.[38] It outlines the assessment techniques we will use to assess a transmission business's proposed expenditure forecasts, and the information we require from Powerlink. This section sets out our intention to apply the Expenditure Assessment Guideline to Powerlink for the 2027−32 regulatory control period.

The Expenditure Assessment Guideline uses a nationally consistent reporting framework that allows us to compare the relative efficiencies of transmission businesses and decide on efficient expenditure forecasts. The NER requires Powerlink to advise us of the methodology they propose to use to prepare their forecasts by 30 June 2025.[39]

In the final F&A we must set out our proposed approach to application of the guideline.[40] This will provide Powerlink with clarity regarding the information it should include in its revenue proposal. This contributes to an open and transparent process and makes our assessment of expenditure forecasts more predictable.

The Expenditure Assessment Guideline contains a suite of assessment/analytical tools and techniques to assist our review of the expenditure forecasts that transmission businesses include in their regulatory proposals. We intend to have regard to the assessment tools set out in the guideline. The tool kit includes:

- models for assessing proposed replacement and augmentation capex
- benchmarking (including broad economic techniques and more specific analysis of expenditure categories)
- methodology, governance and policy reviews
- predictive modelling and trend analysis
- cost benefit analysis and detailed project reviews.[41]

We exercise judgement to determine the extent to which we use a particular technique to assess a regulatory proposal. We use the techniques we consider appropriate depending on the specific circumstances of the determination. The guideline is flexible and recognises that we may employ a range of different estimating techniques to assess an expenditure forecast.

We applied the Expenditure Assessment Guideline in our assessment of Powerlink's proposal for the current, 2022–27 period. On 16 October 2024, we released an update to the Expenditure Assessment Guideline for Transmission and Distribution, to accommodate the addition of the emissions reduction objective to the national energy objectives.

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38 AER, *Expenditure forecast assessment guideline*, 29 November 2013 (updated 16 October 2024).

39 NER, cl. 6A.10.1B.

40 NER, cl. 6A.10.1A(b)(5).

41 AER, *Explanatory statement - expenditure forecast assessment guideline*, 29 November 2013.

We note Powerlink has undertaken to further consider the application of the Expenditure Assessment Guideline as part of the F&A process and will engage with the AER and customers on this matter. This was conveyed in Powerlink's letter to us of 30 October 2024.[42]

Our preliminary position is we will apply the updated Expenditure Assessment Guideline in our assessment of the Powerlink proposal for the 2027–32 regulatory control period. The incorporation of an emissions reduction element into the NEO[43] will impact the framework and guidelines we use to assess regulatory proposals. This is something that we, and Powerlink, will need to be mindful of as we progress through the 2027–32 determination.

42 Powerlink, *Letter to AER on Framework and Approach*, 30 October 2024.

43 AER, *Guidance on amended National Energy Objectives*, 28 September 2023.

8 Depreciation to establish the opening RAB

Our F&A for Powerlink will set out whether depreciation for establishing the opening RAB for the 2032–37 regulatory control period, commencing 1 July 2032, is to be based on actual or forecast capital expenditure.[44] As part of the roll forward methodology, when the RAB is updated from forecast capex to actual capex at the end of a regulatory control period, it is also adjusted for depreciation.

The depreciation we use to roll forward the RAB can be based on either:

- actual capex commissioned during the regulatory control period (actual depreciation). We roll forward the RAB based on actual capex less the depreciation on the actual capex; or
- the capex allowance forecast at the start of the regulatory control period (forecast depreciation). We roll forward the RAB based on actual capex less the depreciation on the forecast capex approved for the regulatory control period.

We note Powerlink has undertaken to further consider whether depreciation for establishing the opening RAB should be based on forecast or actual capital expenditure as part of the F&A process and will engage with the AER and customers on this matter. This was conveyed in Powerlink's letter to us of 30 October 2024.[45]

Our preliminary position, consistent with the Capital Expenditure Incentive Guideline[46] and subject to further engagement with Powerlink and other stakeholders, is to continue using the forecast depreciation approach to establish the RAB at the commencement of the 2032–37 regulatory control period.

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44 NER, cll. 6A.10.1A(b)(6) and S6A.2.2B.

45 Powerlink, *Letter to AER on Framework and Approach*, 30 October 2024.

46 AER, *Capital expenditure incentive guideline*, July 2024, pp. 10–11.

Glossary

Term	Definition
AER	Australian Energy Regulator
capex	capital expenditure
CESS	capital expenditure sharing scheme
DMIAM	demand management innovation allowance mechanism
EBSS	efficiency benefit sharing scheme
F&A	framework and approach paper
MAR	maximum allowed revenue
MIC	market impact component
NCC	network capability component
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
opex	operating expenditure
RAB	regulatory asset base
SC	service component
STPIS	service target performance incentive scheme
TNSP	transmission network service provider