Network Market Impact Working Group

Terms of Reference

1 Background

The Service Target Performance Incentive Scheme (STPIS) is an important regulatory mechanism that provides incentives for transmission network service providers (TNSPs) to:

- schedule outages at times which minimise the impact on wholesale market outcomes: the market impact component (MIC)
- undertake low-cost projects which improve the capability of the existing network: the network capability component (NCC) and
- reduce the number and duration of unplanned outages: the service component (SC).

1.1 The Transmission STPIS review

In April 2023, the AER completed a review of all of the incentive schemes that it applies to network service providers. The review found that whilst the SC remains fit for purpose, the MIC and NCC were not working as intended. The AER committed to commencing a review of the transmission STPIS at the end of 2023.

On 17 April 2025, the AER published STPIS version 6, incorporating the final amendments, and an accompanying Explanatory Statement.

Our final amendments implemented in version 6 of the STPIS:

- suspend the MIC and explore developing an effective alternative by establishing a working group with AEMO and key stakeholders
- amend the NCC to make it a more streamlined process and improve incentives; and
- amend the loss of supply event frequency parameter of the SC.

The AER suspended the MIC of the STPIS as there is consensus that in recent years, with changes in the generation mix and more regionally dispersed renewable generation, this component of the STPIS is no longer working as intended (see section 2.2 of the final Explanatory Statement).

However, we recognised the need to ensure that the TNSPs are operating their networks to minimise the impact on wholesale prices. As discussed in our Explanatory Statement, we have established a working group to consider alternative incentive arrangements in the absence of the MIC and to consider an approach for developing a conduct obligation. The establishment of a working group provides the opportunity to further consider potential options that builds on the findings of the STPIS Review to promote the efficient management of network outages. The considerations of the working group also align with the recommendation from the recent 'National Electricity Market wholesale market settings review' to consider stronger incentives for TNSPs to consider wholesale market effects from outage planning.

2 Objectives and role of the working group

The Network Market Impact Working Group (NMIWG) will:

- consider alternative options for an improved incentive mechanism that minimise the impact of network outages on wholesale market prices.
- explore the introduction and consider the form of a conduct obligation on TNSPs to minimise the impact of network outages on wholesale market prices.
- provide views on a preferred solution(s) for AER consideration.

Participation is expected to include:

- sharing information between NMIWG members
- collection and provision of data by members and analysis of data, and testing ideas
- providing feedback and insights on identified options
- providing input and advice on any working group papers
- providing advice on data quality; and
- any implementation issues associated with identified options.

To assist the NMIWG, the AER will prepare and circulate before the inaugural meeting of the NMIWG:

- a refresh of the alternative options that were canvassed and consulted on during the recent transmission STPIS Review; and
- other potential approaches identified by AER staff that may warrant exploration by the NMIWG.

3 Key Deliverables and timing

The key deliverables are outlined below.

3.1 Market Impact Options Report

The NMIWG's task will be to provide input and feedback for the purposes of considering alternative incentive-based options to the MIC and a form of conduct obligation. This input and feedback will be considered by the AER to develop a 'Market Impact Options Report' (referred to as the Report). The NMIWG is also expected to provide feedback on data quality and implementation issues associated with identified options.

The Report will be distributed to the NMIWG for feedback, including on any preferred option or options.

The Report is expected to be completed by no later than quarter 4 in 2025-26. This Report may be published on the AER's website.

The AER will be informed by the views of the NMIWG. If the AER identifies a preferred alternative option to replace the MIC, this will form the basis of further stakeholder consultation for the purposes of a future STPIS Review.

The AER will also consider any views of the NMIWG on the form of any conduct obligation for the purposes of any potential changes to the National Electricity Rules.

4 Governance

The NMIWG will provide important feedback and advice to the AER on the development of an alternative MIC and form of a conduct obligation. While the AER will be informed by the outcomes of the NMIWG, the AER is responsible for making decisions on any proposed preferred approach on incentives that will be part of a future STPIS, and this will be made clear in any public reporting on this process.

NMIWG meetings will be separated between meetings focused on an alternative to the MIC and the form of a potential conduct obligation and the sequencing of these meetings will be determined during the process.

Where there is a general consensus among members, this will be recorded by the Secretariat.

The NMIWG will operate under the guidance of this Terms of Reference document and will remain in existence until the Report is completed.

5 Chair and Secretariat services

The NMIWG is to be chaired by the AER. The Secretariat function will be filled by the AER. This includes:

- the distribution of the agenda and relevant meeting papers
- recording and distribution of action items and the meeting schedule.

The AER will distribute the agenda one week prior to each meeting and distribute action items in advance of each meeting.

6 Membership

6.1 Membership

Membership of the NMIWG is limited to a reasonable size to allow for the efficient and focused sharing of information and discussion. The NMIWG will include representatives of the AER, AEMO, AEMC, TNSPs, generators and consumers.

A single representative for each member organisation should be nominated to attend all meetings. If the nominated representative is unable to attend a meeting, they may send a proxy in their place, who should be informed of relevant details in advance.

The total number of non-AER members is 15. Membership of the NMIWG is detailed in Table 1 below.

Table 1 Network Market Impact Working Group Members

Organisation	Representative	Membership
Australian Energy Regulator		
Australian Energy Market Operator		2 Members
Australian Energy Market Commission		2 Members
VicGrid		1 Member

Organisation	Representative	Membership
TNSPs	ElectraNet AusNet Services Powerlink Transgrid	4 Members
Generators	Clean Energy Council Shell Iberdrola EnergyAustralia	4 Members
Users	EUAA ECA	2 Members

6.2 Knowledge and skill requirements

The AER expects NMIWG members to have:

- sound knowledge of the operation of the National Electricity Market
- an understanding of the AER's role in relation to:
  - incentive-based regulation
  - compliance and enforcement.

6.3 Provision of data

NMIWG members should endeavour to meet any reasonable requests for data relevant to objectives of the NMIWG.

In the event that a member of the NMIWG identifies information or data that is considered to be confidential, the NMIWG member must not disclose this information or data outside the NMIWG.

7 Meetings

NMIWG meetings will be conducted on-line. The NMIWG will meet monthly for 1–2 hours but the timing of meetings may vary depending on need.

Additional out-of-session meetings or workshops may be scheduled with the agreement of the Chair and group consensus.

8 Expenses

The AER is not responsible for any expenses incurred by NMIWG members.