

The purpose of this information sheet is to provide a high-level overview of the service target performance incentive scheme (STPIS).

What is the STPIS?

The STPIS incentivises network businesses to improve or maintain a high level of service for the benefit of participants in the National Electricity Market and end users of electricity.

The Australian Energy Regulator (AER) developed the STPIS in accordance with the National Electricity Rules. The scheme has been progressively expanded and revised, and in April 2025 Version 6 of the STPIS was released. This version will apply to our 2027-32 regulatory period.

What changed in Version 6 of the STPIS¹?

- **Market Impact Component** suspended, and its alternative being considered by the AER's arranged working group
- **Service Component** amended to ensure that Transmission Network Service Providers (TNSPs) are not penalised by the rounding method of setting performance targets, and
- **Network Capability Component** amended to simplify a TNSP's administrative burden by identifying priority projects in its Transmission Annual Planning Report.

How does the STPIS work?

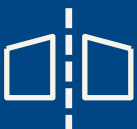
The STPIS operates on a calendar year basis and compares performance against targets to determine a financial bonus or penalty related to the Maximum Allowed Revenue (MAR).

Performance against targets are reported to the AER in an annual compliance report by 1 February each year.

The AER assesses performance against the STPIS parameters for the preceding calendar year and verifies the financial reward or penalty to be recovered by the network business.

Component	Key features	Indicative revenue at risk ²
Service component (SC) Aims to minimise the impact of unplanned outages and loss of supply on customers.	Consists of four parameters that measure the frequency and duration of unplanned network outages and loss of supply. We propose targets for each parameter consistent with the scheme requirements as part of our revenue proposal. Revenue at risk is $\pm 1.25\%$ MAR annually.	$\pm \$14.8\text{m}$
Network capability component (NCC) Aims to deliver improved capability from existing network assets to benefit customers and wholesale market outcomes.	Identify NCC priority projects as part of our TAPR (not in revenue proposal). Priority projects are identified with the forecast cost and value of the benefit delivered: <ul style="list-style-type: none">• pro-rata based allowance up to 1% MAR each year,• symmetrical incentive of up to 1.5 times average annual project cost.	Nil We have not proposed any NCC projects. Potential up to \$11.8m

For more information about STPIS and other incentive schemes refer to our 2027-32 Revenue Proposal, Chapter 13 Incentive Schemes.



Symmetrical
Applies both bonus and penalty outcomes



Consistent
Targets designed to drive neutral incentive outcome over time



Customer focused
Maintain or improve network reliability and capability



Fit-for-purpose
Alternative incentive to the MIC being developed

¹ [Electricity transmission network service provider - Service target performance incentive scheme, version 6](#), Australian Energy Regulator, April 2025.

² Based on the forecast of smoothed MAR in our draft 2027-32 Revenue Proposal, September 2025, page 119, Table 11.8.