Shared Transmission Network Services Prices in Victoria – 1 July 2020 to 30 June 2021

15 May 2020

For the National Electricity Market

Important notice

PURPOSE

AEMO has prepared this document to provide information about the Shared transmission network services prices in Victoria, as at the date of publication.

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1. Shared transmission network services in Victoria Prices

AEMO's Transmission Use of System (TUOS) charges recover the costs for providing shared transmission network services in Victoria. The TUOS prices are calculated in accordance with the National Electricity Rules (NER) and AEMO's Pricing Methodology[1].

TUOS charges for 2020-21 is budgeted to be $591.5m[2], which is $41.9m (7.6%) higher than 2019-20. The majority of this increase is related to investment in the Victorian transmission network that is required to maintain reliability and lower the cost of supply of electricity supply.

Out of the $41.9m increase, $33.9m will be charged to the Victorian distribution businesses and $8m to large customers directly connected to the Victorian Transmission System. Key drivers of the increased charges are:

- $31.1m increase relating to procurement of Western-Murray System Strength Remediation services, operating cost linked with the Western Victoria Renewable Integration project, coupled with regulatory investment activities associated with the Victoria to New South Vales Interconnector (VNI) West project;
- $5.2m increase relating to the recovery of AEMO's National Transmission Planner (NTP) costs, which is as a result of the amendment to the NER for costs to be recovered from TNSPs from 1 July 2020;
- $5.2m increase due to having a lower surplus to return compared to previous years. There was a return of surplus for 2019-20 whereas a deficit of $2.4m is expected for 2020-21;
- $11m lower settlement residue income for the Victorian region as a result of lower estimated spot prices, partly offset by higher estimated Settlement Residue Auction proceeds; and
- Offsetting the increase is a $10.6m reduction in expenses mainly relating to a combination of lower easement tax payment, lower return for AusNet Services on their regulated assets and a charge to the Victorian jurisdiction for the use of the network in other jurisdictions.

The shared transmission network services prices apply for the financial year 1 July 2020 to 30 June 2021 and comprise the following:

1.1 Prescribed TUOS services – Locational

Locational charges reflect the cost of utilising the network at various locations. They are designed to encourage the most efficient use of the transmission network and are based on average maximum demand. They reflect the long run marginal cost of transmission at each connection point.

Changes to locational prices in 2020-21 are mainly due to lower revenue requirement in this category as a result of higher estimated settlement residue auction proceed income.

[1] See http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Participant-information/Fees-and-charges.

[2] AEMO may also incur additional costs during 2020-21 relating to the Victorian Government System Integrity Protection Scheme (SIPS) 2020 project, see https://aemo.com.au/en/initiatives/major-programs/victorian-government-sips-2020

1.2 Prescribed TUOS services – Non-locational

Non-locational charges recover the balance of AEMO's annual revenue for providing the shared transmission network, and mainly relate to overhead and financing costs. The non-locational price is either an energy or capacity price, each of which has a common value across all locations.

Non-locational prices are higher in 2020-21 driven by higher revenue requirement as a result of lower settlement residue income for the Victorian region and a deficit brought forward from 2019-20.

1.3 Prescribed common services

Common services include the cost of planning and operating the network, such as control buildings, protection systems, easements, and land tax. The common service price is either an energy or capacity price, each of which has a common value across all locations.

Common service prices are higher in 2020-21 mainly due to higher revenue requirement as a result of higher transmission network service costs and higher AEMO operational expenditure in Victorian planning space.

2. Schedule of Prices for 1 July 2020 to 30 June 2021

2.1 Locational Prices

Point of Supply	TUOS Locational ($/MW)
Altona	14,105
Ballarat	19,595
Bendigo	22,081
Brooklyn	15,004
Brunswick	11,605
Cranbourne	11,211
Deer Park	20,253
East Rowville	11,095
Fishermans Bend	13,447
Fosterville	20,015
Geelong	16,447
Glenrowan	12,997
Heatherton	12,802
Heywood	24,639
Horsham	31,354
Keilor	13,684
Kerang	36,477
Loy Yang	11,064
Malvern	14,877

Point of Supply	TUOS Locational ($/MW)
Morwell	5,263
Mount Beauty	5,023
Portland Smelter	26,629
Red Cliffs	35,864
Richmond	13,061
Ringwood	11,514
Shepparton	16,796
South Morang	12,031
Springvale	10,504
Templestowe	12,197
Terang	33,186
Thomastown	11,256
Tyabb	14,039
Wemen	32,706
West Melbourne	13,263
Western Port	17,036
Wodonga	7,947
Yallourn PS G.5	5,124

2.2 Common Service and Non-Locational Prices

(Either one of the following)	Common Service Price	Non-Locational Price
Energy Price ($/MWh)	9.619	3.668
Capacity Price ($/MW)	44,159	16,838

2.3 Notes

The 2020-21 TUOS prices have been determined in accordance with AEMO's current approved pricing methodology for the period 1 July 2014 to 30 June 2019.

It should be noted that AEMO has not submitted to the AER a proposed pricing methodology for a period beyond the expiry of AEMO's current approved pricing methodology for the period 1 July 2014 to 30 June 2019, instead AEMO is seeking to have the current approved pricing methodology continue to apply to allow AEMO more time to consider the impact on transmission network services and prices of the many recent changes to the way in which electricity is produced, supplied and consumed in the Victorian declared shared network and across the National Electricity Market (NEM), and consult with relevant stakeholders before submitting a new pricing methodology that accounts for these issues.

Accordingly, AEMO proposed an Undertaking to the AER under section 59A of the National Electricity Law to continue to set prices for shared transmission services in accordance with the terms of the approved pricing methodology for the period 1 July 2014 to 30 June 2019, for the period commencing 1 July 2019 and ending on 30 June 2021.

The AER has approved the Undertaking from AEMO to continue to set prices and charges in accordance with the current methodology for the period commencing 1 July 2019 and ending on to 30 June 2021. Therefore, the 2020-21 Victorian's TUOS prices were determined based on the approved amended pricing methodology for prescribed shared transmission services for 1 July 2014 to 30 June 2019.

These prices apply to metered usage at terminal stations. Terminal stations are where the assets owned by distribution businesses and other transmission-connected customers connect to the shared transmission network.

As per AEMO's Pricing Methodology, locational charges for 2020-21 are calculated at each terminal station by:

a) Identifying the 10 weekdays when power system demand was highest, between 1100 hrs and 1900 hrs in the local time zone from 1 March 2019 to 29 February 2020.

b) Calculating the average half hour demand (MW) consumed at each terminal station for all days.

c) Multiplying the locational price ($/MW) that applies to each terminal station by the demand calculated in paragraph (b).

Common service charges and non-locational charges for 2020-21 are either:

a) Energy price multiplied by metered energy at the connection point from 1 March 2019 to 29 February 2020; or

b) Capacity price multiplied by maximum contract demand for the connection point referrable to that period. Note that capacity price is only available where a customer's agreement with AEMO nominates a fixed maximum demand and a penalty for exceeding that demand.

GST is not applicable to TUOS charges.

TUOS charges will be varied by clause 9.8.4(a)(3) of the NER. However, equalisation adjustments are not applicable from 2020-21.