Shared Transmission Network Services Prices in Victoria – 1 July 2021 to 30 June 2022

3 May 2021

For the National Electricity Market

Important notice

PURPOSE

AEMO has prepared this document to provide information about 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 2021-22 are budgeted to be $602.95 million, which is $11.4 million (1.9%) higher than in 2020-21. 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 electricity supply.

Key drivers of the changes are:

- A $10.0m increase relates to a combination of higher transmission easement tax and costs relating to the Victorian Government System Integrity Protection Scheme (SIPS) project. These increases are partially offset by reduced costs relating to the procurement of Western Murray System Strength Remediation services and a lower return to AusNet Services on its regulated assets.
- A $15.2m increase is due to a higher charge to the Victorian jurisdiction for the use of the network in other jurisdictions, lower estimated Settlement Residue Auction proceeds, and lower settlement residue income for the Victorian region as a result of lower estimated spot prices.
- Offsetting the increase is a $13.8m reduction due to having a higher surplus to return compared to previous years and lower AEMO National Transmission Planner (NTP) costs.

The shared transmission network services prices apply for the financial year 1 July 2021 to 30 June 2022 and comprise:

- Locational charges.
- Non-locational charges.
- Common service charges.

Each of these components has seen an increase, and they are all affected by an increase in overall TUOS revenue requirements and a reduction in overall energy use and maximum demand during last year. More detail on the three components is given below.

1.1 Prescribed TUOS services – locational

Locational charges reflect the cost of using 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.

Locational prices are on average higher in 2021-22, driven largely by lower average maximum demand (averaged over top 10 system coincident demands and known as 'MD10'). This was 9.3% lower over 1 March 2020 to 28 February 2021 than in the same period in the previous year, with mild summer weather contributing to the lower demands. Locational revenue requirement in 2021-22 is also higher as a result of higher charges to the Victorian jurisdiction for the use of the network in other jurisdictions and lower estimated Settlement Residue Auction proceeds.

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

1.2 Prescribed TUOS services – non-locational

Non-locational charges recover the balance of AEMO's annual revenue for providing the shared transmission network. 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 2021-22, driven largely by lower overall energy consumption between 1 March 2020 and 28 February 2021. This was 4.9% lower than in the same period in the previous year, due to COVID-related impacts and increased embedded generation in the distribution network. Non-locational revenue requirement in 2021-22 is also higher as a result of lower settlement residue income for the Victorian region.

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 2021-22, driven largely by lower overall energy consumption between 1 March 2020 and 28 February 2021, due to COVID-related impacts and increased embedded generation in the distribution network. Common services revenue requirement in 2021-22 is also higher as a result of higher transmission network service costs.

2. Schedule of prices for 1 July 2021 to 30 June 2022

2.1 Locational prices

Point of supply	TUOS locational ($/MW)
Altona	16,194
Ballarat	23,367
Bendigo	24,372
Brooklyn	16,967
Brunswick	16,372
Cranbourne	12,710
Deer Park	22,676
East Rowville	12,450
Fishermans Bend	15,986
Fosterville	22,162
Geelong	18,452
Glenrowan	14,607
Heatherton	14,974
Heywood	27,684
Horsham	34,010
Keilor	15,522
Kerang	41,403
Loy Yang	14,522
Malvern	17,226

Point of supply	TUOS locational ($/MW)
Morwell	8,165
Mount Beauty	6,416
Portland Smelter	29,709
Red Cliffs	38,562
Richmond	14,769
Ringwood	13,023
Shepparton	19,009
South Morang	14,374
Springvale	12,459
Templestowe	13,881
Terang	37,566
Thomastown	13,014
Tyabb	15,772
Wemen	32,166
West Melbourne	15,761
Western Port	20,226
Wodonga	9,533
Yallourn PS G.5	5,039

2.2 Common service and non-locational prices

(Either one of the following)	Common service price	Non-locational price
Energy price ($/MWh)	10.314	3.814
Capacity price ($/MW)	49,798	18,416

2.3 TUOS pricing methodology

TUOS methodology

The 2021-22 TUOS prices have been determined in accordance with AEMO's current approved pricing methodology for the period 1 July 2014 to 30 June 2019. To allow AEMO more time with consultation of the new proposed methodology, AEMO proposed an Undertaking to the Australian Energy Regulator (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.

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 30 June 2022[2].

AEMO has currently submitted a new proposed pricing methodology to the AER for a period beyond the expiry of AEMO's current approved pricing methodology for the period 1 July 2022 to 30 June 2027[3].

TUOS charges calculation method

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 2021-22 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 2020 to 28 February 2021.

b) Calculating the average half-hour demand (in megawatts [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 2021-22 are either:

a) Energy price multiplied by metered energy at the connection point from 1 March 2020 to 28 February 2021; or

b) Capacity price multiplied by maximum contract demand for the connection point referrable to that period. 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.

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[2] See https://aemo.com.au/-/media/files/electricity/nem/participant_information/fees/2020/ner-section-59-undertaking-for-1-july-2019-to-30-june-2022.pdf?la=en.

[3] See https://aemo.com.au/en/consultations/current-and-closed-consultations/transmission-use-of-system-pricing-methodology-vic.