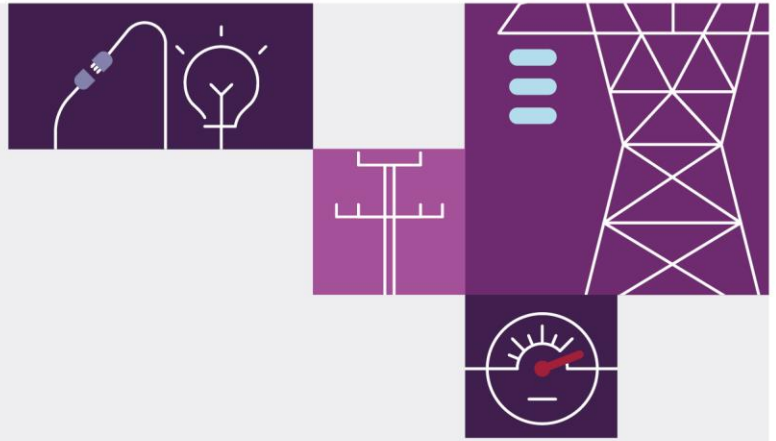


Amended Shared Transmission Network Services Prices in Victoria – 1 July 2024 to 30 June 2025

August 2024

Victorian Transmission Planning





Important notice

Purpose

AEMO Victorian Planning (AVP) has prepared this document to provide information about shared transmission network services prices in Victoria, as at the date of publication.

Disclaimer

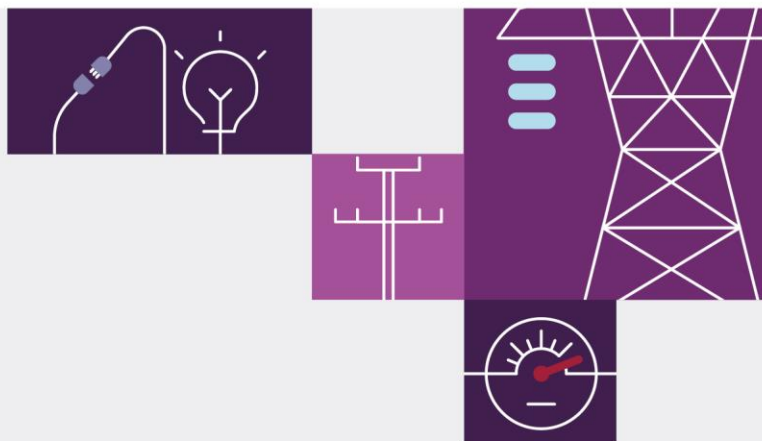
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Version control

Version	Release date	Changes
1	15/03/2024	Initial release
2	29/08/2420	Prices amended to include VicGrid fees and charges



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1 Amendments to 2024-25 TUOS charges

The *National Electricity (Victoria) Amendment (VicGrid) Act 2024 (Amendment Act)* received Royal Assent on 14 May 2024. The Amendment Act amends the *National Electricity (Victoria) Act 2005 (Act)* to assign new responsibilities on the CEO VicGrid, including the planning of Renewable Energy Zones (REZ) in Victoria.¹ This involves the creation of Victorian Transmission Plans, which will detail significant network augmentation and the establishment of REZ's with the objective of ensuring energy reliability, security and affordability. Additionally, the amendments permit VicGrid to recover its costs for the REZ planning function through AEMO's Transmission Use of System (TUOS) charges, to be recovered through common service charges and will impact every Victorian customer².

In July 2024, AEMO's Revenue Methodology³ was revised to reflect that VicGrid fees and charges determined by the CEO VicGrid under section 66 of the NEVA now form part of AEMO's TUOS revenue requirement.

2 Shared transmission network services prices in Victoria

2.1 Amended 2024-25 TUOS revenue requirement

The CEO VicGrid has notified AEMO that the VicGrid fees and charges for 2024-25 is \$26.54 million. As a result, AEMO Victorian Planning (AVP) adjusted its TUOS maximum allowed revenue and TUOS prices to incorporate the VicGrid fees and charges, with the updated prices taking effect from 1 July 2024. VicGrid and AVP have been working closely with TUOS customers to ensure they are well informed throughout the process.

AVP's TUOS charges recover the costs for providing shared prescribed transmission network services in Victoria. The TUOS revenue requirement and its allocation to each prescribed service category is determined in accordance with the National Electricity Rules (NER), AEMO's Revenue Methodology and AEMO's Pricing Methodology⁴. In determining the revenue requirement for TUOS, AVP normally relies on its draft budget for the upcoming financial year. Any over or under recovery as a result of the changes between Draft and Final budget will be recovered in the subsequent regulatory year.

Since the March 2024 TUOS prices publication AEMO has finalised the FY24 Statutory Accounts, with the AVP function to conclude the financial year with a near breakeven position in terms of revenue and costs. This adjustment revises the forecasted prior year deficit from \$10 million to zero. AVP has leveraged this favourable outcome to help offset the price increases related to VicGrid fees and charges. The change will reduce the non-locational component of the TUOS charges for FY25.

With the addition of VicGrid costs offset by AVP's revised budget position, the amended TUOS revenue requirement for 2024-25 (FY25) is budgeted to be \$770.4 million, which is \$120.2 million (18.5%) higher compared to 2023-24 (FY24). When compared with the March 2024 publication the amended TUOS revenue requirement for 2024-25 (FY25) is \$16.6 million

¹ [National Electricity \(Victoria\) Amendment \(VicGrid\) Act 2024](#) and section 66 of the National Electricity (Victoria) Act 2005

² Refer to Section 67 of the National Electricity (Victoria) Act 2005

³ See <http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Participant-information/Fees-and-charges>.

⁴ See <http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Participant-information/Fees-and-charges>

(2.2%) higher. This is made up of a \$26.5 million increase (5.5%) to the common service component due to VicGrid fees and charges and a reduction of \$10 million (8.5%) to the non-locational component due to the revised budget position. No changes have been made to the locational component since the March publication.

Table 1 below sets out the year on year changes and the changes from the March publication for key components of the TUOS revenue requirement. Values presented in brackets are a net income which reduce the revenue requirement.

Table 1 FY25 amended TUOS revenue requirement, FY25 March publication TUOS revenue requirement and FY24 TUOS revenue requirement.

Description	Interim FY24 (\$M) ^A	March Interim FY25 (\$M) ^A	Amended FY25 (\$M) ^A	Note	Allocated service category
Costs External to AEMO	634	683	709		
Regulated network charges	368	385	385	1	All
Non-regulated network charges	51	64	64	2	All
Net IR-TUOS (receipt)/payment	(10)	(9)	(9)		Locational
Easement tax	250	261	261	1	Common
Settlement residue	(26)	(18)	(18)	3	Locational, Non-locational
VicGrid fees and charges	0	0	27	4	Common
Costs Internal to AEMO	61	61	61		
AEMO Victorian TNSP costs	56	54	54	5	Common
AEMO National Transmission Planner (NTP) costs ⁵	5	7	7		Non-locational
Total TUOS related Costs	695	744	770		
Prior year (surplus)/deficit	(45)	10	0	6	Non-locational
TUOS revenue requirement	650	754	770		

A. Values have been rounded to integers.

Explanation of Notes (Draft FY24 vs Amended FY25):

1. AusNet Services' and Murraylink's Maximum Allowed Revenue (MAR). Change related to increase in AusNet's Maximum Allowed Revenue (MAR) and easement tax payment is consistent with the AER's approved operating expenditure and higher indexation due to inflation.

⁵ See <https://www.aemo.com.au/about/corporate-governance/energy-market-fees-and-charges>

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2. Increase in prescribed non-regulated network charges in FY25 is primarily due to a one-off payment relating to reimbursement of charge payable under the VNI East project agreement, and indexation due to inflation.
 3. Reduction in settlement residue collection in FY25 is due to higher anticipated negative inter-regional settlement residue payments associated with network congestion in southern region of NSW.
 4. FY25 VicGrid fees and charges (received on 31 July 2024) included in the TUOS revenue requirement for the first time, following the National Electricity (Victoria) Amendment (VicGrid) Act 2024 which received Royal Assent on 14 May 2024.
 5. AEMO's Victorian TNSP costs are budgeted to be slightly lower in FY25 as the VNI West project has now progressed from pre-planning to implementation meaning that costs associated with delivering this project are now primarily capital in nature and treated as Work In Progress rather than recovered through TUOS in the year the costs are incurred.
 6. In FY24 a surplus of \$45 million was returned to customers, making the increase in TUOS charges from FY24 to FY25 greater than would otherwise be the case.

The shared transmission network services prices applicable for the financial year 1 July 2024 to 30 June 2025 are:

- Locational prices
- Non-locational prices
- Common service prices
- System strength unit prices

More detail on the four components is provided below.

2.2 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 demand at times of greatest utilisation of the transmission network connection point. Locational prices are calculated at each connection point and the locational charge is calculated based on these locational prices.

As per AVP's pricing methodology, 50% of the maximum allowed revenue for prescribed TUOS services is allocated to the locational component. The locational component is then adjusted by inter-regional Settlement Residue Auctions proceeds, negative inter-regional settlement residue payments, and net payments and receipts between neighbouring transmission network service providers for use of their respective transmission networks (also referred to as Modified Load Export Charges [MLEC]).

Locational prices are on average 19.2% higher in FY25 compared to FY24 driven primarily by higher than anticipated negative settlement residue payment in FY23 and FY24 and higher negative settlement residue payment budgeted for FY25. Additional drivers include an increase in regulated and non-regulated network charges for prescribed TUOS services, and an adjustment relating to the +/- 2% price cap⁶. The locational prices for each terminal station are set out in Table 1.

⁶ Refer to AEMO Pricing Methodology for more information on the 2% price cap - https://aemo.com.au/-/media/files/electricity/nem/participant_information/fees/2023/revised-pricing-methodology-for-1-july-2022-to-30-june-2027.pdf?la=en



2.3 Prescribed TUOS services – non-locational

Non-locational charges recover the balance of AVP’s annual revenue requirement for prescribed TUOS services. The non-locational price is either an energy or capacity price, each of which has a common value across all locations.

As per AVP’s pricing methodology, 50% of the maximum allowed revenue for prescribed TUOS services is allocated to the non-locational component. The non-locational component is then adjusted by intra-regional settlement residue, prior year’s under or over-recovery, AEMO’s National Transmission Planner (NTP) fees, and under or over-recovery of locational revenue as a result of applying the +/- 2% price cap on locational prices.

The amended non-locational prices are higher in FY25 (+97% for energy and +94% for capacity) compared to FY24 mainly due to reduction in the prior year’s recovery surplus from \$45 million in FY24 to \$0.25 million in FY25. Other drivers include increased regulated and non-regulated network charges for prescribed TUOS services, lower estimated intra-regional settlement residue income and an increase in AEMO’s NTP charges in FY25. Refer to table 2 for prices.

When compared with the March publication the amended non-locational prices for energy and capacity have both decreased by 8.5%. This is a result of the revised budget position reducing the non-locational component by \$10 million (8.5%).

2.4 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.

The amended common service prices are higher in FY25 (+11% to energy and +9% to capacity price), compared to FY24, driven by an increase in easement tax and regulated and non-regulated network charges for prescribed common services, partly offset by a reduction in AEMO’s Victorian TNSP operational expenditure in FY25. An additional driver of the increase has been the inclusion of VicGrid fees and charges for performing REZ planning functions for the first time in FY25. Refer table 2 for the prescribed common service prices.

When compared with the March publication the amended common service prices for energy and capacity have both increased by 5.5%. This is a result of VicGrid fees and charges increasing the common service component by \$26.5 million (5.5%).

2.5 System strength transmission services

System strength transmission services include the cost to provide services to meet Victoria’s forecast system strength requirement. The system strength requirement is to maintain minimum fault level and achieve stable voltage waveforms for projected inverter based resources. The System Strength Unit Price (SSUP) is set for each system strength node on the transmission network which is determined by the cost and service requirement at that particular system strength node.

The SSUPs will apply for the duration of the current system strength charging period⁷ from 1 July 2023 to 1 July 2028, and are indexed annually in accordance with AVP’s Pricing Methodology. Table 4 details the SSUPs for the calculation of prescribed system strength charges for eligible connecting parties who choose not to remediate their full system strength impact on the network.

⁷ Refer NER 6A.23.5 (b)



The Victorian Government has invested in two system strength projects (Koorangie BESS and Ararat Synchronous Condenser) as part of Stage 1 of the Renewable Energy Zone (REZ) Development Plan in the Murray River and Western Victoria REZs. These projects have been made available to meet Victoria's system strength requirement which has reduced the need for additional system strength services in Victoria to be procured thus enabling lower SSUP for all system strength nodes, especially at Moorabool and Red Cliffs. This is expected to reduce the system strength charges new generators may pay as well as reduce the risk borne by TUOS customers in unrecovered system strength service costs allowable under the system strength investment framework. Refer to Table 3 for prices.

AVP is currently undergoing a Regulatory Investment Test for Transmission (RIT-T) to determine the services required to meet Victoria's forecast system strength requirement⁸. The outcome of this RIT-T will inform the calculation of SSUPs in the next system strength charging period 2028 – 33.

⁸ See <https://aemo.com.au/initiatives/major-programs/victorian-system-strength-requirement-regulatory-investment-test-for-transmission>

3 Schedule of prices for 1 July 2024 to 30 June 2025

GST is not applicable to TUOS and system strength charges.

3.1 Locational prices

Table 2 Locational Prices

Terminal Station	\$/MW
Altona	19,062
Ballarat	27,952
Bendigo	29,068
Brooklyn	20,305
Brunswick	20,965
Cranbourne	16,474
Deer Park	27,117
East Rowville	16,251
Fishermans Bend	20,495
Fosterville	26,824
Geelong	21,974
Glenrowan	18,357
Heatherton	19,411
Heywood	33,236
Horsham	41,486
Keilor	18,297
Kerang	50,360
Loy Yang	18,054
Malvern	22,214

Terminal Station	\$/MW
Morwell	10,124
Mount Beauty	6,392
Portland Smelter	36,107
Red Cliffs	46,567
Richmond	19,168
Ringwood	16,371
Shepparton	24,896
South Morang	16,954
Springvale	16,239
Templestowe	17,567
Terang	45,652
Thomastown	16,921
Tyabb	19,997
Wemen	38,923
West Melbourne	19,091
Western Port	25,800
Wodonga	11,744
Yallourn PS G.5	10,702

3.2 Common service and non-locational prices

Table 3 Amended common service and non-locational prices

(Either one of the following)	Common service price	Non-locational price
Energy price (\$/MWh)	14.389	3.040
Capacity price (\$/MW)	69,847	14,757

3.3 System Strength Unit Price

Table 4 System strength unit price

System Strength Node	Node Voltage (kV)	FY25 SSUP (\$/MVA/year)	FY24 SSUP (\$/MVA/year)
Dederang	220	\$3,822	\$3,627
Hazelwood	500	\$4,734	\$4,493
Moorabool	220	\$4,799	\$4,554
Red Cliffs	220	\$4,624	\$4,388
Thomastown	220	\$4,189	\$3,975

Prices in this table are fixed and are not subject to rise and fall during the financial year. Indexation is performed annually in accordance with AVP's pricing methodology by applying the weighted average of eight capital cities CPI for the September quarter. This is the same indexation series used to index the Maximum Allowable Revenue approved by the AER in AusNet Services' 2022-27 revenue determination.

3.4 TUOS pricing methodology

TUOS methodology

The FY25 TUOS prices have been determined in accordance with Chapter 6A of the National Electricity Rules (NER) and AVP's Revised Pricing Methodology⁹ for the period 1 July 2022 to 30 June 2027.

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 AVP's Pricing Methodology, locational charges for FY25 are calculated at each terminal station by:

- Identifying the half-hour period in each of the twelve months over the period from 1 July 2022 to 30 June 2023 when terminal station demand was highest.
- Calculating the average of the twelve monthly connection point half-hour demands (in megawatts [MW]) at the time of the terminal station monthly maximum demand from paragraph (a).
- 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 FY25 are either:

- Energy price multiplied by metered energy at the connection point from 1 July 2022 to 30 June 2023; or
- Capacity price multiplied by contract agreed maximum demand for the connection point applicable during FY25. Capacity price is only available where a customer's agreement with AVP nominates a fixed maximum demand and a penalty for exceeding that demand.

System strength unit price calculation method

The SSUP is a price per MVA which reflects the forecast long run average costs of providing System Strength Transmission Services at the relevant system strength node. It is calculated by dividing the total forecast long run capital and operating cost of providing an efficient quantity of system strength at a system strength node over a period of 10 years by the total forecast system strength hosting capacity provided by that system strength node over a period of 10 years. The SSUP is

⁹ See <https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/participate-in-the-market/fees-and-charges>



calculated once at the start of each 5-year system strength charging period, and applies for the duration of that system strength charging period, subject to annual indexation in accordance with AVP's Pricing Methodology.