

Electricity Transmission Use of System Prices - 1 July 2025 to 30 June 2026

November 2025

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Purpose

VicGrid 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

VicGrid's Transmission Use of System (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), VicGrid's Revenue Methodology and VicGrid's Pricing Methodology¹

TUOS revenue requirement for 2025-26 (FY26) is budgeted to be \$798 million, which is \$28 million (3.6%) higher compared to 2024-25 (FY25). In determining the revenue requirement for TUOS, VicGrid 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 year.

Table 1 below presents the year-on-year changes for key components of the TUOS revenue requirement. Values presented in brackets are a net income which reduce the revenue requirement.

Table 1: TUOS Revenue requirement for FY26

(\$ Million)	FY25 Amended Budget	FY26 Final	Change	Note	Allocated service category
Network costs	683	710	27		
Regulated network charges	385	388	3	1	All
Non-regulated network charges	64	75	11	2	All
Net MLEC (receipt)/payment	(9)	(20)	(11)	3	Locational
Easement tax	261	272	11	1	Common
Settlement residue	(18)	(5)	13	4	Locational, Non-locational
Planning costs	88	99	11		
VicGrid fees and charges	27	37	10	5	Common
AEMO Victorian TNSP costs	54	54	0	6	Common
AEMO National Transmission Planner (NTP) costs ²	7	8	1		Non-locational
Total TUOS related Costs	770	809	39		
Prior year (surplus)/deficit	0	(11)	(11)	7	Locational, Non-locational
TUOS revenue requirement	770	798	28		

¹ See VicGrid's Revenue Methodology and VicGrid's Pricing Methodology at <https://www.vicgrid.com.au/industry/access-and-connections/fees-and-charges>

² See AEMO's National Transmission Planner Charges at <https://www.aemo.com.au/about/corporate-governance/energy-market-fees-and-charges>

Explanation of Notes:

1. AusNet Services' and Murraylink's Maximum Allowed Revenue (MAR). Change related to increase in Maximum Allowed Revenue (MAR) and easement tax payment is consistent with the AER's approved operating expenditure and higher indexation due to inflation.
2. Prescribed non-regulated network charges increased in FY26 due to additional costs associated with new system strength services obligations, as described in Section 1.4, new network projects scheduled for commissioning in FY26, and inflation-driven indexation. These increased costs are partially offset by the removal of a one-off payment budgeted in FY25 for the reimbursement of a charge payable under the VNI East project agreement.
3. Net receipt to/from Co-ordinating Network Service Providers (CNSPs) associated with Modified Load Export Charge (MLEC).
4. Settlement residue is an income to the Victorian Transmission Network Service Provider (TNSP) function, hence a reduction to the revenue requirement for the budget year. Reduction in settlement residue collection in FY26 is due to higher anticipated negative inter-regional settlement residue payments associated with network congestion in the southern region of NSW.
5. VicGrid fees and charges increased in FY26, reflecting increased activities related to REZ planning functions to enable Victoria's move to renewable energy³
6. VicGrid's FY26 Victorian TNSP costs are in line with FY25.
7. An accumulated surplus is forecast for FY25 reflecting carried forward surplus at end of FY24 due to lower than anticipated operational costs associated with VNI-West, partially offset by higher than anticipated WRL cost in FY25.

The shared transmission network services prices applicable for the financial year 1 July 2025 to 30 June 2026 are:

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

More detail on the four components is provided 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 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 VicGrid'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 (referred to as Modified Load Export Charges [MLEC]).

Locational prices are on average 13.8% higher in FY26 compared to FY25 driven primarily by higher anticipated negative inter-regional settlement residue payments associated with network congestion in the southern region of NSW. The locational prices for each terminal station are set out in Table 2.

³ Additional information on Renewable Energy Zones can be accessed at <https://www.vicgrid.com.au/transmission-planning/renewable-energy-zones>

1.2 Prescribed TUOS services – non-locational

Non-locational charges recover the balance of VicGrid'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 VicGrid'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, VICGRID'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 prices⁴

Non-locational prices are lower in FY26 (-34.8% for energy and -38.1% for capacity) compared to FY25 mainly due to a surplus from the prior year's recovery and an increase in estimated intra-regional settlement residue income. Refer to Table 3 for prices.

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 services price is either an energy or capacity price, each of which has a common value across all locations.

Common services prices are higher in FY26 (+8.5% to energy and +2.9% to capacity price), compared to FY25, the main drivers are an increase in easement tax, VicGrid fees and charges and additional costs associated with providing system strength services. Refer to Table 3 for prices.

1.4 System strength transmission services

In the National Electricity Market (NEM), system strength ensures grid stability by maintaining sufficient fault level for protection system operation and a stable voltage waveform during disturbances. With the increase of renewable energy resources (like wind, solar and batteries), which rely on inverters to connect to the power system, maintaining system strength has become more difficult. Unlike traditional synchronous machines (coal, gas, hydro) some inverter based resources don't naturally support system strength. To address this, system strength transmission services have been introduced to maintain power system stability.

VicGrid's Role and Obligations

Transmission Network Service Providers that are a NEM region's designated System Strength Service Provider (SSSP) are required to provide system strength as a prescribed transmission service. Under the Efficient Management of System Strength Final Rule (2021), VicGrid, as the SSSP for Victoria, is required to proactively plan and procure the full amount of system strength to meet specified planning standards for the region. This new framework replaces the previous reactive framework, which only required procurement of services to fill forecast system strength gaps, rather than the full amount of system strength, and aims to ensure system strength is available where and when it is needed. The first compliance date for meeting the new standard is 2 December 2025.

Recovery of System Strength Costs

The NER allows VicGrid to recover its system strength cost by charging inverter-based resource connection proponents that use system strength services, through the system strength charge, and consumers, through transmission use of system (TUOS) charges.

System Strength Unit Price (SSUP)

The SSUPs will apply for the duration of the current system strength charging period⁵ from 1 July 2023 to 30 June 2028 and are indexed annually in accordance with VicGrid's Pricing Methodology. Table 4 details the SSUPs for the

⁴ Refer to VicGrid Pricing Methodology for more information on the 2% price cap - <https://www.vicgrid.com.au/industry/access-and-connections/fees-and-charges>

⁵ Refer NER 6A.23.5 (b)

calculation of prescribed system strength charges for eligible connecting inverter-based resource proponents who choose not to self-remediate their full system strength impact on the network.

1.5 Victorian Transmission Investment Framework

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 to assign new responsibilities on the CEO VicGrid, including the planning of Renewable Energy Zones (REZ) in Victoria⁶ 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 VicGrid's Transmission Use of System (TUOS) charges, to be recovered through common service charges and will impact every Victorian customer.⁷

In July 2024, VicGrid's Revenue Methodology⁸ was revised to reflect that VicGrid fees and charges determined by the CEO VicGrid under section 66 of the NEVA now form part of VicGrid's TUOS revenue requirement.

⁶ [National Electricity \(Victoria\) Amendment \(VicGrid\) Act 2024](#) and section 66 of the National Electricity (Victoria) Act 2005

⁷ Refer to Section 67 of the National Electricity (Victoria) Act 2005

⁸ See VicGrid's Revenue methodology at <https://www.vicgrid.com.au/industry/access-and-connections/fees-and-charges>

2 Schedule of prices for 1 July 2025 to 30 June 2026

GST is not applicable to TUOS and system strength charges.

2.1 Locational prices

Table 2: Locational Prices

Terminal Station	\$/MW
Altona	21,945
Ballarat	31,943
Bendigo	32,916
Brooklyn	23,156
Brunswick	23,835
Cranbourne	18,563
Deer Park	30,941
East Rowville	18,663
Fishermans Bend	23,437
Fosterville	30,558
Geelong	24,834
Glenrowan	20,080
Heatherton	21,893
Heywood	37,473
Horsham	48,838
Keilor	21,006
Kerang	58,898
Loy Yang	19,442
Malvern	25,024

Terminal Station	\$/MW
Morwell	10,969
Mount Beauty	4,828
Portland Smelter	40,356
Red Cliffs	54,042
Richmond	21,754
Ringwood	18,790
Shepparton	28,471
South Morang	18,950
Springvale	18,455
Templestowe	20,074
Terang	53,505
Thomastown	19,433
Tyabb	22,848
Wemen	44,231
West Melbourne	21,653
Western Port	29,743
Wodonga	12,073
Yallourn PS G.5	13,248

2.2 Common service and non-locational prices

Table 3: Common Service and non-locational prices

(Either one of the following)	Common service price	Non-locational price
Energy price (\$/MWh)	15.611	1.982
Capacity price (\$/MW)	71,907	9,128

2.3 System Strength Unit Price

Table 4: System strength unit price

System Strength Node	Node Voltage (kV)	FY26 SSUP (\$/MVA/year)	FY25 SSUP (\$/MVA/year)
Dederang	220	\$3,929	\$3,822
Hazelwood	500	\$4,867	\$4,734
Moorabool	220	\$4,934	\$4,799
Red Cliffs	220	\$4,754	\$4,624
Thomastown	220	\$4,306	\$4,189

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 VicGrid'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.

2.4 TUOS pricing methodology

TUOS methodology

The FY26 TUOS prices have been determined in accordance with Chapter 6A of the National Electricity Rules (NER) and VicGrid'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 VicGrid's Pricing Methodology, locational charges for FY26 are calculated at each terminal station by:

- Identifying the half-hour period in each of the twelve months over the period from 1 July 2023 to 30 June 2024 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 FY26 are either:

- Energy price multiplied by metered energy at the connection point from 1 July 2023 to 30 June 2024; 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 VicGrid 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 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 VicGrid's Pricing Methodology.

⁹ See <https://www.vicgrid.com.au/industry/access-and-connections/fees-and-charges>