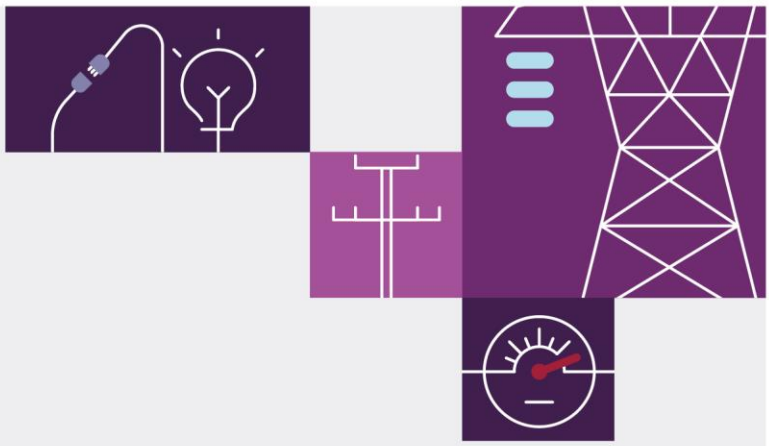
Shared Transmission Network Services Prices in Victoria – 1 July 2024 to 30 June 2025

March 2024

Victorian Transmission Planning

AEMO
AUSTRALIAN ENERGY MARKET OPERATOR
Victorian 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.

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Version control

Version	Release date	Changes
1	15/03/2024	Initial release

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1 Shared transmission network services in Victoria prices

AEMO Victorian Planning's (AVP'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), AEMO's Revenue Methodology[1] and AEMO's Pricing Methodology[2].

TUOS revenue requirement for 2024-25 (FY25) is budgeted to be $754 million, which is $104 million (15.9%) higher compared to 2023-24 (FY24). In determining the revenue requirement for TUOS, AVP 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 demonstrates 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 FY25 and FY24

($ Million)	Draft FY24	Draft FY25	Change	Note	Allocated service category
Costs External to AEMO	**634**	**683**	**50**		
Regulated network charges	368	385	18	1	All
Non-regulated network charges	51	64	12	2	All
Net IR-TUOS (receipt)/payment	(10)	(9)	1		Locational
Easement tax	250	261	11	1	Common
Settlement residue	(26)	(18)	8	3	Locational, Non-locational
Costs Internal to AEMO	**61**	**61**	**0**		
AEMO Victorian TNSP costs	56	54	(2)	4	Common
AEMO National Transmission Planner (NTP) costs[3]	5	7	2		Non-locational
Total TUOS related Costs	**695**	**744**	**50**		
Prior year (surplus)/deficit	(45)	10	54	5	Locational, Non-locational
TUOS revenue requirement	**650**	**754**	**104**		

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

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

[3] See 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 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.
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. 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.
5. A deficit is forecast for FY24 primarily due to higher than anticipated negative settlement residue payments in Victoria. This deficit is recovered through FY25 TUOS charges. In contrast, 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.

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 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 cap[4]. The locational prices for each terminal station are set out in Table 1.

1.2 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.

Non-locational prices are higher in FY25 (+116% for energy and +112% for capacity) compared to FY24 mainly due to a $10 million deficit from the prior year's recovery compared to a $45 million surplus in FY24. 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.

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 FY25 (+5% to energy and +3% 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. Refer to table 2 for prices.

1.4 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 period[5] from 1 July 2023 to 1 July 2028, and are indexed annually in accordance with AVP's Pricing Methodology.Table 4 Table 4 details the SSUPs

[4] 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

[5] Refer NER 6A.23.5 (b)

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.

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 requirement[6]. The outcome of this RIT-T will inform the calculation of SSUPs in the next system strength charging period 2028 – 33.

1.5 Victorian Transmission Investment Framework implications

The Victorian Government has recently introduced the National Electricity (Victoria) Amendment (VicGrid) bill 2024 into Parliament. The Bill confers responsibility on the CEO of VicGrid to plan for Renewable Energy Zones (REZ) in Victoria. This will occur through the development of Victorian Transmission Plans which will outline major augmentations to the transmission network and the declaration of Renewable Energy Zones to achieve energy reliability, security and affordability in Victoria.

The Bill also enables VicGrid to support AVP in the development of delivery of high-priority transmission projects in Victoria, including conducting early works where necessary, and allows the cost recovery of these VicGrid planning and project development activities through TUOS charges.

VicGrid will publish its fees and charges for REZ planning functions to be recovered in FY25 following passage of the Bill. VicGrid and AVP will work closely with TUOS customers to ensure they are well informed throughout the process.

[6] See https://aemo.com.au/initiatives/major-programs/victorian-system-strength-requirement-regulatory-investment-test-for-transmission

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

GST is not applicable to TUOS and system strength charges.

2.1 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

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 ($/MWh)	13.635	3.324
Capacity price ($/MW)	66,188	16,136

2.3 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.

2.4 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 Methodology[7] 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:

a) 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.

b) 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).

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 FY25 are either:

a) Energy price multiplied by metered energy at the connection point from 1 July 2022 to 30 June 2023; or

b) 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

[7] See https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/participate-in-the-market/fees-and-charges

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 AVP's Pricing Methodology.