

Shared Transmission Network Services Prices in Victoria – 1 July 2022 to 30 June 2023

April 2022

Victorian Transmission Network Planning





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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Version control

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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 Methodology¹.

TUOS charges for 2022-23 are budgeted to be \$623.9 million, which is \$21 million (3.5%) higher than in 2021-22. Key drivers of the increased TUOS charges are:

- \$23.4 million due to increasing negative inter-regional settlement residues arising due to counter-price flows on the Victoria to New South Wales interconnector, lower estimated Settlement Residue Auction proceeds, and lower settlement residue income for the Victorian region as a result of lower estimated spot prices.
- \$16.8 million relating to higher transmission easement land tax.
- Offsetting the increase is a \$19.2 million reduction in expenses mainly relating to a combination of lower network payments, lower return for AusNet Services on their regulated assets and a lower 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 2022 to 30 June 2023 and comprise of:

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

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 demand at times of greatest utilisation of the transmission network connection point. Locational prices are calculated at each connection point which reflects the long run marginal cost of transmission for that connection point. The locational charge is then calculated based on these locational prices.

As per AEMO'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 residues and net payments between neighbouring transmission network service providers for use of their respective transmission networks.

Locational prices are on average higher in 2022-23, driven by higher negative inter-regional settlement residues caused by counter-price flows on the Victoria to New South Wales Interconnector, as well as 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 lower in 2022-23, driven largely by lower network costs, offset partially by lower intra-regional 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 2022-23, driven largely by the higher easement land tax payment.

2 Schedule of prices for 1 July 2022 to 30 June 2023

2.1 Locational prices

Table 1 Locational Prices

Connection Point	\$/MW
Altona	17,217
Ballarat	24,609
Bendigo	25,683
Brooklyn	18,034
Brunswick	19,386
Cranbourne	14,100
Deer Park	23,973
East Rowville	13,828
Fishermans Bend	17,359
Fosterville	23,602
Geelong	19,517
Glenrowan	16,452
Heatherton	16,670
Heywood	29,380
Horsham	35,383
Keilor	16,492
Kerang	42,953
Loy Yang	16,440
Malvern	19,202

Connection Point	\$/MW
Morwell	9,489
Mount Beauty	7,977
Portland Smelter	31,461
Red Cliffs	40,135
Richmond	16,391
Ringwood	13,876
Shepparton	21,121
South Morang	15,324
Springvale	13,837
Templestowe	14,964
Terang	39,157
Thomastown	14,325
Tyabb	17,050
Wemen	34,108
West Melbourne	16,683
Western Port	22,182
Wodonga	11,090
Yallourn PS G.5	8,532

2.2 Common service and non-locational prices

Table 2 Common Service and non-locational prices

(Either one of the following)	Common service price	Non-locational price
Energy price (\$/MWh)	10.788	3.016
Capacity price (\$/MW)	53,802	15,041

2.3 TUOS pricing methodology

TUOS methodology

The 2022-23 TUOS prices have been determined in accordance with Chapter 6A of the National Electricity Rules (NER) and AEMO's Revised Pricing Methodology² for the period 1 July 2022 to 30 June 2027.

Under the NER, AEMO is required to submit a pricing methodology to the Australian Energy Regulatory (AER) for approval. Following industry consultation, AEMO submitted a proposed pricing methodology to apply from 1 July 2022 to 30 June 2027 to the AER for approval in April 2021³. After the AER's draft decision to not accept AEMO's proposed methodology, AEMO submitted a revised pricing methodology in December 2021. The AER is not required to make its final decision in relation to the revised proposed pricing methodology until 29 April 2022.

In March 2022, the AER approved an undertaking under section 59A of the National Electricity Law from AEMO to set TUOS prices and charges in accordance with the Revised Pricing Methodology for the period commencing 1 July 2022 and ending on 30 June 2023⁴.

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 2022-23 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 2020 to 30 June 2021 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 2022-23 are either:

- a) Energy price multiplied by metered energy at the connection point from 1 July 2020 to 30 June 2021; or
- b) Capacity price multiplied by maximum contract demand for the connection point referable 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.

² See <https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/participate-in-the-market/fees-and-charges>

³ See <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/aemo-determination-2022%E2%80%93327>

⁴ See https://www.aemo.com.au/-/media/files/electricity/nem/participant_information/fees/2022/aer-and-aemo-signed-enforceable-undertaking.pdf?la=en