

Our Ref: 26266  
Contact Officer: Dan Barclay  
Contact Phone: (02) 6243 1286

24 April 2007

Mr Dennis Stanley  
Manager  
Directlink Joint Venture  
PO Box 5118  
PORT MACQUARIE NSW 2444

**By email: [dennis.stanley@countryenergy.com.au](mailto:dennis.stanley@countryenergy.com.au)**

Dear Mr Stanley,

**Re: Transmission service standards compliance review for 2006**

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of Directlink Joint Venture's (Directlink) performance against its service standards incentive scheme for the 2006 calendar year.

In conducting its review, the AER considered Directlink's revenue cap decision (3 March 2006), Directlink's service standards performance report (7 March 2007), the AER's service standards guidelines (12 November 2003) and Sinclair Knight Merz's consultancy report (12 April 2007).

After conducting a review of Directlink's performance report for 2006, the AER endorses Directlink using a service standards factor (s-factor) of -0.537 percent for the 2006 calendar year and a financial incentive adjustment of -\$49,673 to apply to its maximum allowed revenue (MAR) for the financial year 2007-08.

*Bangalora transformer failure*

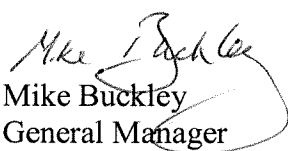
SKM has recommended that the outage associated with the core failure of the Bangalora substation transformer on 20 November 2006 be considered included for a period of 14 days, after which it would be considered a force majeure event. This recommendation has not been accepted however, the AER reserves its position on this issue and may review this recommendation should a similar event occur in the future. It is noted that the application of this proposed cap would have no effect on the financial adjustment for Directlink as a result of this year's review.

AER staff have found during the review this year that the Murraylink and Directlink interconnectors have had some difficulty in substantiating third party outages (for example “run backs”). In particular it appears that these types of outages are not included in the service standards information provided by neighbouring TNSPs because they are not necessarily considered an outage for service standards reporting purposes by those TNSPs.

The AER is interested in discussing this issue with the interconnectors and the TNSPs that neighbour their networks. This is to determine whether the neighbouring TNSPs can assist Murraylink and Directlink in providing information which can substantiate the cause of these outages. AER staff will contact the relevant businesses to discuss this issue in the coming weeks.

The AER would like to thank Directlink staff for their open and active participation throughout this year’s process. Should you have any further enquiries please contact Dan Barclay on (02) 6243 1286.

Yours sincerely

A handwritten signature in black ink that reads "Mike Buckley". The signature is written in a cursive style and is positioned above the printed name and title.

Mike Buckley  
General Manager  
Network Regulation North Branch