



Our Ref: 50333; D13/36013
Contact Officer: Joanna Gall
Contact Phone: (02) 8213 3461

6 May 2013

Warren Barat
A/Executive General Manager /Network Planning and Performance
TransGrid
201 Elizabeth Street
PO Box A1000
SYDNEY SOUTH NSW 1235

Dear Warren

Transmission service standards review for 2012

Further to my correspondence of 3 May 2013, I am writing to confirm the outcome of the Australian Energy Regulator's ("AER") review of TransGrid's performance against its transmission service standards incentive scheme for the 2012 calendar year.

In conducting the review, AER staff considered TransGrid's revenue cap decision, dated 29 April 2009, the *Final Electricity Transmission Service Providers Service Target Performance Incentive Scheme* published in March 2008, and TransGrid's 2012 STPIS submission (submitted to the AER 1 February 2013).

After conducting the review of TransGrid's transmission service performance, the AER endorses a revised service standards factor ("s-factor") applying to TransGrid's service component of -0.489 per cent for the 2012 calendar year. Details of the revised s-factor are set out in correspondence with TransGrid staff dated 30 April 2013 (and associated email correspondence). The application of this s-factor results in a financial decrement of \$4 077 045 to TransGrid's maximum allowed revenue for the 2013–14 financial year.

The AER has amended TransGrid's market impact performance count of 633 dispatch intervals to 737 dispatch intervals. Details of the adjustments made to TransGrid's performance count are set out in correspondence with TransGrid staff dated 30 April 2013 and 5 May 2013 (and associated email correspondence). Accordingly, the AER rejects the s-factor of 1.5569 per cent proposed by TransGrid for the market impact component and the associated incentive payment of \$12 980 480. The AER endorses a revised s-factor of 1.484074 per cent which translates into an increase of \$12 373 479 to TransGrid's maximum allowed revenue for the 2013–14 financial year.

I would like to thank TransGrid for its participation in this year's compliance review. We note that there continues to be room for improvement in the quality of performance data and in the provision of supporting material by TransGrid. We look forward to continued engagement with you on this issue. Should you have any further enquiries please contact Joanna Gall on (08) 8213 3461.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Leuner', written in a cursive style.

Tom Leuner
General Manager
AER Markets Branch