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Mr Chris Pattas  
General Manager  
Network Regulation South Branch  
Australian Energy Regulator  
PO Box 520  
MELBOURNE VIC 3001

Email: [aerinquiry@aer.gov.au](mailto:aerinquiry@aer.gov.au)

Dear Mr Pattas

## **SUBMISSION TO AER'S PROPOSED SERVICE TARGET PERFORMANCE INCENTIVE SCHEME**

Thank you for the opportunity to comment on the Australian Energy Regulator's (AER's) *Proposed Service Target Performance Incentive Scheme (STPIS)*. Citipower and Powercor Australia (**the businesses**) are Victorian electricity distributors transitioning to the national regulatory framework. The proposed service incentive scheme outlined in the STPIS will apply to CitiPower and Powercor Australia from 1 January 2011.

On June 2008 the AER published the first version (version 1.0) of the STPIS for distribution network service providers. Since releasing the STPIS the AER has become aware of a material issue regarding the interaction between the cap on revenue at risk and the equation for the calculation of the s-factor. The AER has sought to remedy this issue through an amendment to the scheme. On February 2009 the AER published the amended STPIS which sets out a number of amendments to version 1.0.

The businesses wish to raise a number of key issues and proposed changes put forward by the AER in its amended STPIS.

### **Error in the calculation of the SAIFI S-factor**

The AER's amended STPIS Appendix E (the spreadsheet) contains an error in the calculation of the SAIFI S-factor. In appendix E the impact on the S-factor of changes in SAIFI are minimal, ie, in the range of 0.001 per cent. This is because the AER divides all S-factors by 100 which is appropriate for SAIDI but not for MAIFI or SAIFI. Furthermore, the need to divide the raw SAIDI S-factor is not well articulated in the AER's explanatory material. The businesses seek clarification over the calculation of the SAIFI S-factor.

### **Financial versus calendar year**

The AER have proposed changing the measurement of the service standard performance from a calendar year to a financial year. It is unclear what benefits the AER achieves from making this shift. The change will disconnect the businesses regulatory period from the period over which its service performance is measured. Further it will incur additional administrative costs in facilitating the provision of service performance data on a financial year basis.

### **Supply interruptions caused by a failure of upstream connected network**

The AER proposed STPIS provides for the impact of upstream events involving infrastructure such as transmission networks and transmission connection assets, which are not under the control of distributors, to be excluded from the scheme. For the same reasons a distributor should not be liable for failure of other upstream networks such as an inter distribution connection.

The businesses note such an approach is consistent with that of the United Kingdom Office of Gas and Electricity Markets who exclude the failure of 'other connected networks' from Service Incentive Scheme on the basis the event is outside the distributor's control<sup>1</sup>.

Should you have any further questions in relation to this response, please do not hesitate to contact me on (03) 9683 4465.

[signed]

**Brent Cleeve**  
**MANAGER PRICE REVIEW**

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<sup>1</sup> Ofgem Final Proposals 265/04 (section 4.20)