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1 February 2010

Chris Pattas
General Manager
Networks Regulation South Branch
GPO Box 520
Melbourne VIC 3001

Dear Chris,

Performance Incentive Scheme Report for 2009 Calendar Year

Herewith I submit ElectraNet's annual Service Targets Performance Incentive Scheme (STPIS) report for the 2009 calendar year, which has been prepared in accordance with the applicable guidelines and revenue determination.

Clause 3.3(d) of the First Proposed Service Target Performance Incentive Scheme of January 2007 dictates that the timetable for the annual review will be decided on an annual basis by agreement between the AER and the relevant TNSP and will have due regard to the scheme and the TNSP's pricing obligations under the National Electricity Rules (the Rules).

ElectraNet agrees to the timetable proposed by the AER in its letter of 7 January 2010.

ElectraNet is required to report actual performance for the period 1 January to 31 December 2009 against the performance measures determined by the AER in ElectraNet's revenue cap decision 2008-2013 and to provide:

- A list of events that ElectraNet believes should be excluded from the performance measures for the period, and for each event a description of the event and its impact, quantification of the impact and the reasons for the exclusion request; and

- The calculation of the financial incentive as per the revenue cap decision applying to the period.

The STPIS is based on service standard measures that are common to all TNSPs. However, the ACCC recognised in its November 2003 decision on

service standards that there must be flexibility in how these performance measures are implemented for each TNSP. In particular, the importance of measuring performance consistently over time was emphasised. The STPIS is based on the assumption that performance measurement will be consistent with the way in which historical performance was derived for target setting.

Exclusion of Force Majeure Events

There are no force majeure events claimed during the period.

Exclusion of Events consistent with Definitions

In 2004 ElectraNet applied for the exclusion of major line outages for the rebuilding of the Para - Waterloo 132kV transmission line. The ACCC's auditor Sinclair Knight Merz (SKM) recommended that the ACCC accept ElectraNet's exclusion as it was consistent with the definitions used for target setting for the STPIS. However, the ACCC decided that, as the work was included in the revenue cap it should not be excluded from the performance incentive, but that it would be appropriate that the time associated with the event be capped at 14 days in aggregate in calculating ElectraNet's transmission circuit availability figure. The AER subsequently applied the same aggregate 14 day cap to outages associated with the Mannum – Mobilong 132 kV transmission line rebuild and the Le Fevre Substation extension in the 2005 performance review and the Angas Creek – Mannum 132 kV transmission line rebuild in the 2006 performance review. This cap is incorporated in the STPIS that applied to ElectraNet from 1 July 2008.

There are no 14 day capped exclusions claimed during the period.

In 2009 ElectraNet sought to exclude a number of access related outages requested by third parties to facilitate road widening and high vehicle transport that occurred in the 2008 calendar year. ElectraNet maintained that these outages where clearly of a third party nature and satisfied the exclusion requirement in the definitions. The auditor, Parsons Brinckerhoff (PB), maintained that these outages did not satisfy the definition as the third party concerned was not a customer of ElectraNet subject to a transmission connection agreement (TCA). The AER subsequently granted these exclusions and stated that such outages would be assessed on a case by case basis in the future.

During the 2009 calendar year a number of transmission line outages were required to connect new customers to the transmission network. These works were:

- Required solely due to the obligations under clauses 5.2.3.(d)(1) and 6A.1.3 of the Rules and clause 4 of the Electricity Transmission Licence for ElectraNet to grant access to third parties to the transmission network;

- Conducted in accordance with TCA's between the customers and ElectraNet which were established following a customer access request;

- Minimised and coordinated in accordance with clauses 3.2 and 3.3 of the Electricity Transmission Code so as to reduce any consequent transmission service interruptions or restrictions.

These third party requested outages, which are excluded under the definitions, are listed in the attached templates.

The attachment lists all outages which are excluded by definition from the parameters and which the AER has nonetheless required us to report and request exclusions for.

Calculation of Incentive

ElectraNet's actual performance is shown in the attached AER Proforma (Attachment 1) that summarises actual performance against each performance measure, including calculation of the S factors and the applicable revenue bonus/ penalty for the 2009 calendar year.

We note that the AER template reflects the outcome of the ElectraNet merits review and the additional revenue arising from the Adelaide Central Reinforcement contingent project.

Calculations are presented with and without exclusions as required by the guideline and consistent with previous discussions with your officers.

Audit of Performance

Full access to all relevant systems and reports will be made available to the auditor.

Please do not hesitate to contact Bill Jackson on (08) 8404 7969 should you require clarification of any of the information provided in this report.

Yours sincerely,

Rainer Korte

Rainer Korte
EXECUTIVE MANAGER REGULATION AND CORPORATE SERVICES

ATTACHMENT 1 – AER PROFORMA FOR CALCULATION OF S FACTOR AND INCENTIVE

ELECTRANET - SERVICE STANDARDS PERFORMANCE

PERFORMANCE PARAMETER	S	Performance (Without exclusions)	Performance (With exclusions)
Total transmission circuit availability	S1	99.540000%	99.740000%
Critical circuit availability – peak	S2	99.710000%	99.820000%
Loss of supply event frequency (>0.05 system minutes)	S3	4	3
Loss of supply event frequency (>0.2 system minutes)	S4	2	2
Average outage duration (minutes)	S5	155	161
Critical circuit availability – non-peak (zero weighting)		99.92%	99.93%
Date prepared:		29 January 2010	
Revision date:			

NOTES:

Pink cells- Input performance without exclusions from performance data.

Orange cells- Input performance with exclusions from performance data.

The critical circuit availability (non-peak) parameter is not being used to calculate ElectraNet's s-factor however it must be reported by ElectraNet.

Green cells - input date that template data was entered. Enter date of any revisions from original version.

ELECTRANET- S1 - Total transmission circuit availability

Performance Targets	Graph start	Collar	Target	Cap	Graph end
transmission circuit avail.		99.10%	99.47%	99.63%	
Weighting		-0.30%	0.00%	0.30%	

Performance Formulae		Formulae					Conditions					S- Calc 1	S- Calc 2
Performance	=	-0.003000					When:		Availability	<	99.10%	-0.003000	-0.003000
	=	0.810811	x	Availability	+	-0.806514	99.10%	≤	Availability	≤	99.47%	0.000568	0.002189
	=	1.875000	x	Availability	+	-1.865063	99.47%	≤	Availability	≤	99.63%	0.001312	0.005062
	=	0.003000					99.63%	<	Availability			0.003000	0.003000

Performance Outcomes		Performance (Without Exclusions)	Performance (Exclusions)
Total transmission circuit availability	=	99.540000%	99.740000%
S-Factor Result	=	0.131250%	0.300000%

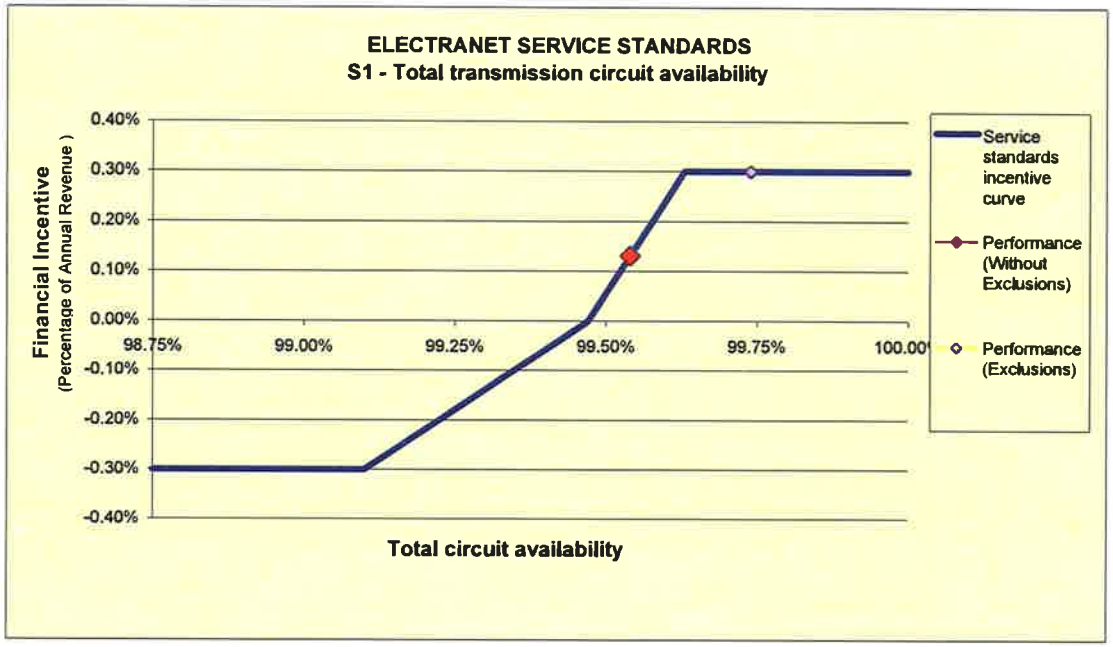
NOTE: This sheet will automatically update based on data in input sheets.

Blue cells show TNSP's performance targets and weightings.

Yellow/Green cells show TNSP's performance formulae and related formula conditions based on performance targets and weightings

Pink cells show TNSP performance outcomes without any events excluded from performance data

Orange cells show TNSP's performance outcomes with events excluded from performance data



ELECTRANET- S2 - Critical circuit availability – peak

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Critical circuit availability – peak		98.52%	99.24%	99.51%	
Weighting		-0.20%	0.00%	0.20%	

Performance Formulae							Conditions					S- Calc 1	S- Calc 2
Performance	=	-0.002000					When:		Availability	<	98.52%	-0.002000	-0.002000
	=	0.277778	x	Availability	+	-0.275667	98.52%	≤	Availability	≤	99.24%	0.001306	0.001611
	=	0.740741	x	Availability	+	-0.735111	99.24%	≤	Availability	≤	99.51%	0.003481	0.004296
	=	0.002000					99.51%	<	Availability			0.002000	0.002000

Performance Outcomes		Performance (Without Exclusions)	Performance (Exclusions)
Critical circuit availability – peak	=	99.710000%	99.820000%
S-Factor Result	=	0.200000%	0.200000%

NOTE: This sheet will automatically update based on data in input sheets.

Blue cells show TNSP's performance targets and weightings.

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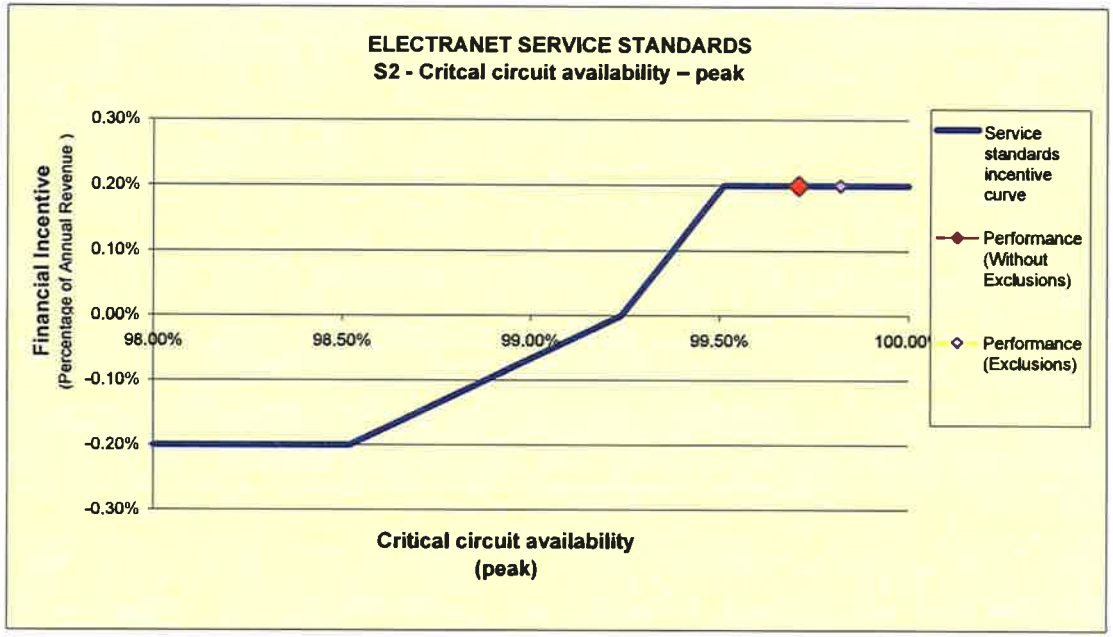

ELECTRANET - S3 - Loss of supply event frequency (No of events > 0.05 system minutes)

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Loss of supply event frequency >0.05 system minutes		11	8	6	
Weighting		-0.100%	0.000%	0.100%	

Performance Formulae		Formulae					Conditions					S- Calc 1	S- Calc 2
Performance	=	-0.001000					11	<	No of events			-0.001000	-0.001000
	=	-0.000333	x	No of events	+	0.002667	8	≤	No of events	≤	11	0.001333	0.001667
	=	-0.000500	x	No of events	+	0.004000	6	≤	No of events	≤	8	0.002000	0.002500
	=	0.001000							No of events	<	6	0.001000	0.001000

Performance Outcomes		Performance (Without Exclusions)	Performance (Exclusions)
Loss of supply event frequency >0.05 system minutes	=	4	3
S-Factor	=	0.100000%	0.100000%

NOTE: This sheet will automatically update based on data in input sheets.

Blue cells show TNSP's performance targets and weightings.

Yellow/Green cells show TNSP's performance formulae and related formula conditions based on performance targets and weightings

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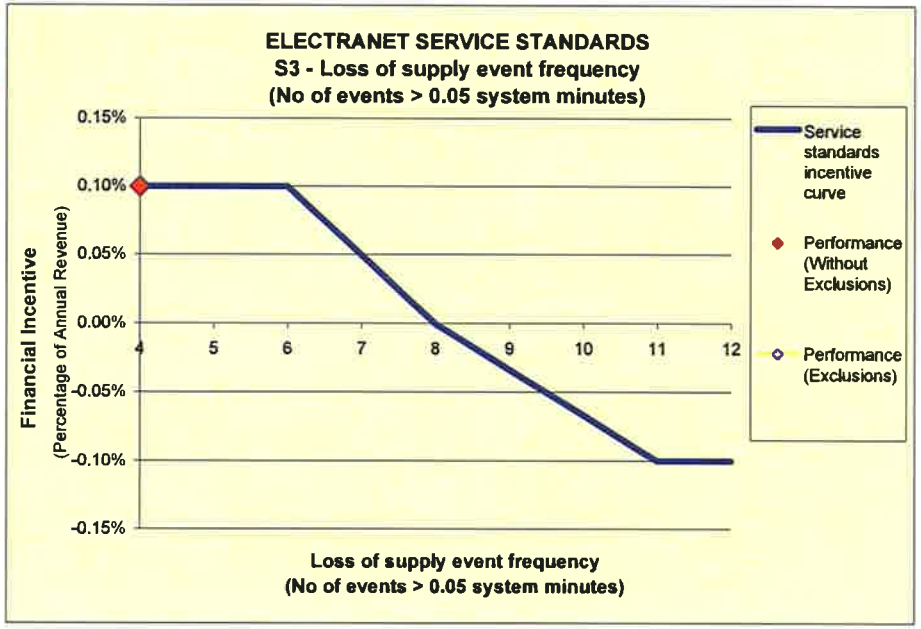


ELECTRANET - S4 - Loss of supply event frequency (No of events > 0.2 system minutes)

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Loss of supply event frequency >0.2 system minutes		6	4	2	
Weighting		-0.200%	0.000%	0.200%	

Performance Formulae		Formulae					Conditions					S- Calc 1	S- Calc 2
Performance	=	-0.002000					6	<	No of events			-0.002000	-0.002000
	=	-0.001000	x	No of events	+	0.004000	4	≤	No of events	≤	6	0.002000	0.002000
	=	-0.001000	x	No of events	+	0.004000	2	≤	No of events	≤	4	0.002000	0.002000
	=	0.002000							No of events	<	2	0.002000	0.002000

Performance Outcomes		Performance (Without Exclusions)	Performance (Exclusions)
Loss of supply event frequency >0.2 system minutes	=	2	2
S-Factor	=	0.200000%	0.200000%

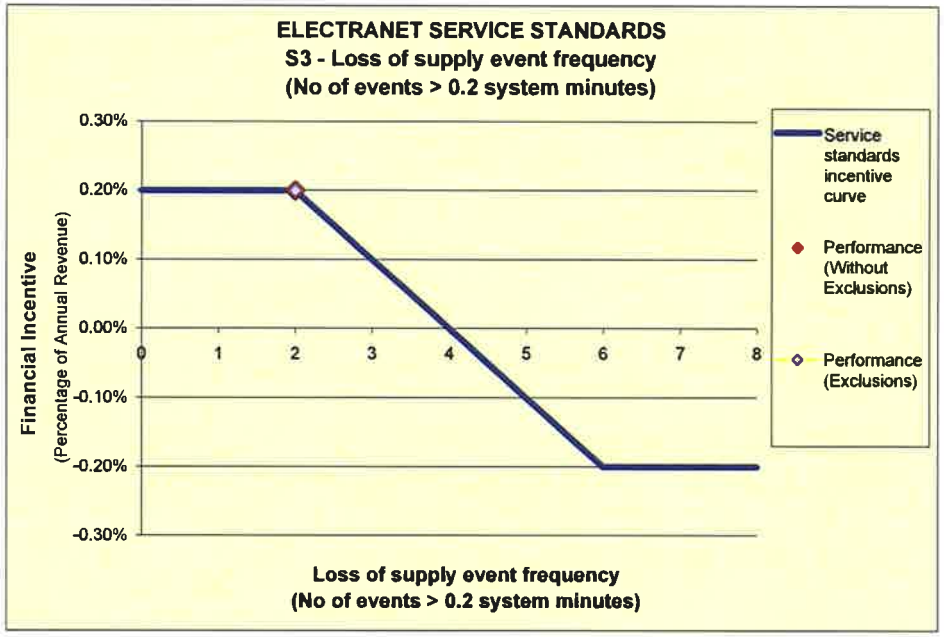
NOTE: This sheet will automatically update based on data in input sheets.

Blue cells show TNSP's performance targets and weightings.

Yellow/Green cells show TNSP's performance formulae and related formula conditions based on performance targets and weightings

Pink cells show TNSP performance outcomes without any events excluded from performance data

Orange cells show TNSP's performance outcomes with events excluded from performance data



ELECTRANET - S5 - Average outage duration (minutes)

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Average outage duration		119	78	38	
Weighting		-0.20%	0.00%	0.20%	

Performance Formulae		Formulae					Conditions					S- Calc 1	S- Calc 2
Performance	=	-0.002000					Where:	Average time	>	119		-0.002000	-0.002000
	=	-0.000049	x	Average time	+	0.003805	78	≤ Average time	≤	119		-0.003772	-0.004062
	=	-0.000050	x	Average time	+	0.003900	38	≤ Average time	≤	78		-0.003867	-0.004164
	=	0.002000						Average time	<	38		0.002000	0.002000

Performance Outcomes		Performance (Without Exclusions)	Performance (Exclusions)
Average outage duration	=	155	161
S-Factor	=	-0.200000%	-0.200000%

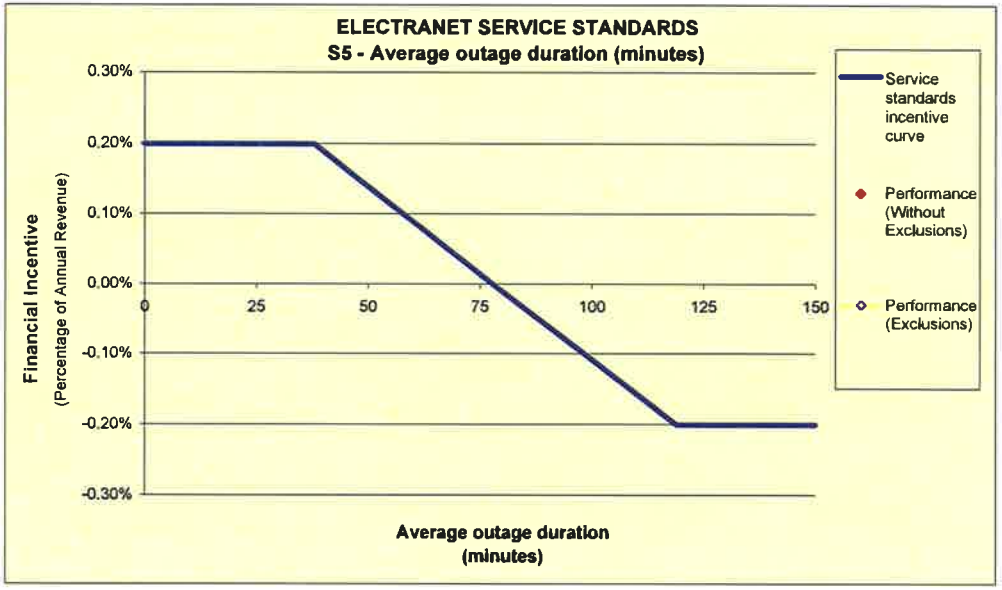
NOTE: This sheet will automatically update based on data in input sheets.

Blue cells show TNSP's performance targets and weightings.

Yellow/Green cells show TNSP's performance formulae and related formula conditions based on performance targets and weightings

Pink cells show TNSP performance outcomes without any events excluded from performance data

Orange cells show TNSP's performance outcomes with events excluded from performance data



ELECTRANET - Revenue Calculation

Revenue cap information	
Base revenue (AR)	$ 229,990,000
Base year	2008–09
X-factor	-5.93%
Commencement of regulatory period	1-Jul-08

Annual revenue adjusted for CPI	Mar-08	Mar-09
CPI	162.2	166.2
	2008-09	2009-10
AR	$229,990,000	$249,636,506

Calendar year revenue	2008	2009
Revenue	$114,995,000	**$239,813,253**

NOTES:

This sheet will automatically update based on data on input sheets.

Grey cells show calendar year revenue

Green cells are for formula

ELECTRANET- Performance outcomes

Revenue calendar year	***$239,813,253***

Performance parameter	S	Target	Performance without exclusions			Performance with exclusions			Impact of exclusions
			Performance	S-Factor	Final Incentive	Performance	S-Factor	Final Incentive	
Total transmission circuit availability	S1	99.47%	99.540000%	0.131250%	$314,755	99.740000%	0.300000%	$719,440	0.001688
Critical circuit availability – peak	S2	99.24%	99.710000%	0.200000%	$479,627	99.820000%	0.200000%	$479,627	0.000000
Loss of supply event frequency (>0.05 system minutes)	S3	8	4	0.100000%	$239,813	3	0.100000%	$239,813	0.000000
Loss of supply event frequency (>0.2 system minutes)	S4	4	2	0.200000%	$479,627	2	0.200000%	$479,627	0.000000
Average outage duration (minutes)	S5	78	155	-0.200000%	-$479,627	161	-0.200000%	-$479,627	0.000000
TOTALS				0.431250%	$1,034,195		0.600000%	$1,438,880	0.001688

NOTE:
This sheet will automatically update based on data in input sheets.

Grey cell shows relevant calendar year revenue

Green cells show performance targets

Pink cells show performance, s-factor results and financial incentive without exclusions

Orange cells show performance, s-factor results and financial incentive with exclusions

Blue cells show the impact of exclusions on revenue

Aggregate outcome	
S-factor	0.006000
Bonus (penalty)	$1,438,880
Financial year to affect revenue	2010–11