

1 February 2008

Mike Buckley  
General Manager  
Networks Regulation North  
PO Box 1199  
Dickson ACT 2602

Dear Mike,

### **Performance Incentive Scheme Report for 2007 Calendar Year**

I am pleased to submit ElectraNet's annual Performance Incentive (PI) Scheme Report for the 2007 calendar year, which has been prepared in accordance with the AER's Service Standards Guidelines and ElectraNet's revenue cap decision.

The Guidelines require that ElectraNet report:

- Actual performance against the performance measures decided by the ACCC in ElectraNet's revenue cap decision;
- A list of force majeure events that ElectraNet believes should be excluded from the performance measures, and for each event a description of the event and its impact, quantification of the impact and the reasons for the exclusion request; and
- Calculation of the financial incentive as per the revenue cap decision.

While ElectraNet is required to report within two months after the end of the reporting period the AER requested an earlier report date to facilitate the timely conduct of the necessary audits of performance.

The PI scheme 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 PI scheme is based on the assumption that performance measurement will be

consistent with the way in which historical performance was derived for target setting.

The performance measures implemented for ElectraNet are defined in the attached paper (Attachment 2), a copy of which was also provided with the report in previous years. These definitions are consistent with the definitions used for submitting data to the ACCC for target setting.

ElectraNet's annual performance report has been prepared consistent with these definitions as varied by the ACCC's imposition of a 14 day cap<sup>1</sup> on planned transmission line outages for capital works.

#### Exclusion of Force Majeure Events

There were no force majeure events during the period.

#### Exclusion of Extended Transmission line Outages – Major Capital Works

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 PI scheme. 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 has now been incorporated into the Service Target Performance Incentive Scheme which will apply to ElectraNet in the next revenue control period.

Consistent with these decisions ElectraNet has capped the time associated with the following extended capital works outage to 14 days in calculating the 2007 transmission circuit availability figure.

- *Tungkillo Substation construction* – A number of transmission lines were required to be decommissioned to facilitate the construction and commissioning of the new Tungkillo 275 kV substation.

#### Exclusion of Events consistent with Definitions

A number of exclusions are highlighted in the submission template that relate to events specifically excluded by definition from the indicators which the AER has none the less required us to report and request exclusions for. These exclusions relate to third party initiated events and switching for operational control.

#### 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.

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

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<sup>1</sup> p10 Audit of ElectraNet SA Service Standards Performance Reporting – SKM ; Application of the performance incentive scheme for 2004 – ACCC 28 April 2005

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  
**NEM DEVELOPMENT AND REGULATION MANAGER**