



Ref: 20210127MC:CB

27 January 2021

Ms Clare Savage
Chair
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

Dear Clare

Service Target Performance Incentive Scheme (STPIS) Adjustments

Thank you for the phone call last week in relation to Essential Energy's recent correspondence regarding STPIS adjustments. As we agreed during our discussion, we have put together some further information on how Essential Energy understands the STPIS 'banking' will be treated.

On 10 July 2020, Essential Energy submitted to the AER, revised RIN data for 4 years (2015-16, 2016-17, 2017-18, and 2018-19) to exclude a number of particular outages on Total Fire Ban days from STPIS calculations – totalling ~\$6.5M. These outages should have been excluded from STPIS at the time but the exclusion was missed.

On 1 October 2020, Essential Energy had a meeting with the AER's STPIS team, at which the following was discussed:

- 2015-16 and 2016-17 STPIS data should not be changed as that was part of the 2014-19 remittal, meaning ~\$2.5M additional excluded STPIS was not allowed;
- 2017-18 and 2018-19 STPIS data could be updated and any cumulative positive variance to previous amounts could be considered 'banked' for use in revenue adjustments going forward (~\$4M additional excluded STPIS benefit was allowed); and
- The STPIS reliability targets for 2019-24 would need to be modified (tightened) for revisions of the 2017-18 data, as STPIS targets were based on the average of 5 years STPIS data from 2013-14 to 2017-18.

Essential Energy provided a letter to the AER on 20 October 2020, requesting a corresponding modification of the 2019-24 STPIS target, in order to crystallise the 'banked' amount of \$4M for the revised STPIS data for 2017-18 and 2018-19. This banked amount will be used to reduce the STPIS penalty incurred during 2019-20.

We have been advised that following internal approvals, the relevant part of the 2019-24 Determination will be re-published with the revised STPIS target.

If you would like to discuss this matter further, please don't hesitate to get in touch or have your team reach out to Mary-Clare Crowley, Network Regulation Manager, on [REDACTED] or [REDACTED].

Yours sincerely

[REDACTED]

[signed]

Chantelle Bramley
General Manager Strategy, Regulation and Corporate Affairs