

First Proposed

Electricity Transmission Network Service Providers

Service Target Performance Incentive Scheme

Version No: 01

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Contents

- 1. Nature and authority 1**
- 1.1 Introduction 1
- 1.2 Authority 1
- 1.3 Role of this scheme 1
- 1.4 AER’s objectives 1
- 1.5 Confidentiality 2
- 1.6 Definitions and interpretation 2
- 1.7 Processes for revision 2
- 1.8 Version history and effective date 2
- 2. The service target performance incentive scheme 3**
- 2.1 General application of the scheme 3
- 2.2 Performance incentive scheme parameters 3
- 2.3 Other elements relating to parameters 3
- 2.4 Addition, removal or variation of parameters 4
- 2.5 Values for parameters 4
- 2.6 Revenue at risk 5
- 2.7 Weighting of parameters 5
- 2.8 Timing of performance 6
- 2.9 Adjustments to maximum allowed revenue 6
- 3. Information and reporting requirements 7**
- 3.1 Information for the transmission determination 7
- 3.2 Information for annual compliance 7
- 3.3 Annual review 7
- 3.4 Changes in data collection 7
- 4. Glossary 8**

Appendix A: Performance incentive scheme parameters – standard definitions	9
Appendix B: Parameters and definitions applicable to individual TNSPs	13
Part 1 – SP AusNet	13
Part 2 - ElectraNet	15
Part 3 - Transend	19
Part 4 - TransGrid	21
Part 5 - EnergyAustralia	22
Part 6 - Murraylink	23
Part 7 - Directlink	24
Part 8 - Powerlink	26
Part 9 - VENCORP	27
Appendix C: Adjustments to allowed revenue	28
Calculating allowed revenue	28
The financial incentive	28
The service standards factor	28
Worked example	29
Adjustments to the financial incentive formula	29
Appendix D: Definition of force majeure	31

1. Nature and authority

1.1 Introduction

Consistent with the requirements of clause 6A.7.4 of the *National Electricity Rules* (NER), this publication sets out the *Australian Energy Regulator's* (AER) *service target performance incentive scheme*.

1.2 Authority

Clause 6A.7.4 of the *National Electricity Rules* requires the AER to develop, in accordance with the *transmission consultation procedures*, the *service target performance incentive scheme*.

1.3 Role of this scheme

- (a) This *scheme*:
- (1) defines the *performance incentive scheme parameters* which specify how a *transmission network service provider's* (TNSP) *network reliability* is measured
 - (2) sets out the requirements with which the values to be attributed to the *parameters* must comply
 - (3) will be used by the AER to decide the service standards financial reward or penalty component of a *transmission determination*
 - (4) provides guidance about the approach the AER will take in reviewing a TNSP's service standards performance and explain how this will affect a TNSP's *maximum allowed revenue*.
- (b) The obligation of a TNSP to comply with this *scheme*:
- (1) is additional to any obligation imposed under any other law applying to a TNSP, and
 - (2) does not derogate from such an obligation.

1.4 AER's objectives

The AER's objectives for this *scheme* are that they:

- (a) Contribute to the achievement of the national electricity market objective
- (b) Are consistent with the principles in clause 6A.7.4(b) of the NER
- (c) Promote transparency in:
 - (1) the information provided by a TNSP to the AER and
 - (2) the decisions made by the AER.
- (d) Assist in the setting of efficient capital and operating expenditure allowances in its *transmission determinations* by balancing the incentive to reduce actual expenditure with the need to maintain and improve *reliability* for customers.

1.5 Confidentiality

The AER's obligations regarding confidentiality and the disclosure of information provided to it by a TNSP are governed by the *Trade Practices Act 1974*, the *National Electricity Law* and the NER.

1.6 Definitions and interpretation

- (a) In this *scheme*, the words and phrases presented in italics have the meaning given to them in:
 - (1) the Glossary; or
 - (2) if not defined in the Glossary, the NER
- (b) Explanations in this *scheme* about why certain information is required are provided for guidance only.

1.7 Processes for revision

The AER may amend or replace this *scheme* from time to time in accordance with clause 6A.7.4(f) of the NER and the *transmission consultation procedures*.

1.8 Version history and effective date

A version number and an effective date of issue will identify every version of this *scheme*.

2. The service target performance incentive scheme

2.1 General application of the scheme

- (a) The *parameters* and the *revenue at risk* for each TNSP are prescribed in this *scheme*.
- (b) In each *transmission determination* the AER will approve or set the values, *weightings* and *other elements* that will apply to the TNSP's *parameters* for the *regulatory control period*.
- (c) The *maximum allowed revenue* that a TNSP can earn in each *regulatory year* will be adjusted according to its performance against the *performance targets*, *caps* and *collars* included in its *transmission determination*, as assessed by the AER in accordance with this *scheme*.

2.2 Performance incentive scheme parameters

- (a) Appendix A contains standard definitions of the following *parameters*:
 - (1) transmission circuit availability
 - (2) loss of supply event frequency
 - (3) average outage duration.¹
- (b) Appendix B prescribes and, subject to clause 2.3, defines the *parameters* applicable to individual TNSPs. Appendix B may specify that no *parameters* apply to a TNSP.
- (c) If a TNSP is not referred to in Appendix B, the *parameters* and standard definitions in Appendix A apply to that TNSP.

2.3 Other elements relating to parameters

Appendix B may provide that, with respect to a TNSP, elements relating to a *parameter* are to be established in the *transmission determination* for that TNSP (the *other elements*). These *other elements* may include the definition, unit of measure, source of data, exclusions and inclusions relating to the *parameter*. Where Appendix B so provides:

- (a) the TNSP must, in its *revenue proposal*, propose the *other elements*; and
- (b) the AER will assess the proposed *other elements* against the objectives in clause 1.4 of this *scheme* and either:
 - (1) approve the *other elements* proposed by the TNSP; or
 - (2) substitute the *other elements* which, in the AER's opinion, best satisfy the objectives in clause 1.4 of this *scheme*.

¹ Subject to the further development of market based measures by the AER's working group (and any consequential amendments to this *scheme*), the AER may add intra-regional and inter-regional constraints as future *parameters*. However, these are not currently prescribed as *parameters* for the *scheme*.

2.4 Addition, removal or variation of parameters

- (a) In accordance with clause 6A.7.4 of the *National Electricity Rules* and the *transmission consultation procedures*, the AER may amend this *scheme* to include additional *parameters*, remove *parameters*, or to vary the definitions in Appendix A or Appendix B. The *parameters* and definitions can vary between TNSPs.
- (b) While this *scheme* can be amended at any time, an amendment cannot apply to a TNSP for a *regulatory control period* unless it is promulgated no less than 15 months before the commencement of that *regulatory control period* (the “cut off date”).
- (c) Amendments to this *scheme* can be initiated by the AER or proposed by a TNSP. However, a TNSP that wants the AER to amend this *scheme* for the TNSP’s next *regulatory control period* will need to submit proposed amendments to the AER in the timeframes and in the manner set out below. This will apply where, for example, a TNSP wishes to propose amendments to:
 - (1) add, remove or vary a *parameter*
 - (2) vary the definition of a *parameter*, or
 - (3) vary the *revenue at risk* applicable to the TNSP for the next *regulatory control period*.
- (d) In order to ensure that the *transmission consultation procedures* can be completed before the cut off date, a TNSP must submit any proposed amendments to the AER at least 22 months before the commencement of the next *regulatory control period* (i.e. 9 months before its *revenue proposal* is due to be lodged with the AER).
- (e) A proposal by a TNSP to amend this *scheme* to add or vary a *parameter* or vary the definition of an existing *parameter* must:
 - (1) demonstrate how the proposed amendment is consistent with the objectives in clause 1.4 of this *scheme*
 - (2) provide information and quantitative data on its performance history of at least the most recent three to five years as measured by its proposed *parameter*, and
 - (3) where this performance history information is not available, provide an appropriate benchmark or methodology to set *performance targets*, *caps*, and *collars* for the proposed *parameter*.
- (f) A proposal by a TNSP to amend this *scheme* to remove a *parameter* or vary the *revenue at risk* applicable to the TNSP for the next *regulatory control period* must demonstrate how the proposed amendment is consistent with the objectives in clause 1.4 of this *scheme*.

2.5 Values for parameters

- (a) A TNSP must submit, in its *revenue proposal*, proposed values for the *parameters* applicable to the TNSP under this *scheme*. The AER must accept these proposed values if they comply with the requirements specified in this clause 2.5 and this *scheme*.
- (b) For each *parameter*, the TNSP must propose the following values:
 - (1) a *performance target*
 - (2) a *collar*, and

- (3) a *cap*.
- (c) A proposed *performance target* may take the form of a *performance deadband*.
 - (d) Data used to calculate proposed values must be accurate and reliable.
 - (e) The proposed *caps* and *collars* must be calculated by reference to the proposed *performance targets* and using a sound methodology. Adjustments to the proposed *performance targets* may result in adjustments to the proposed *caps* and *collars*.
 - (f) A proposed *cap* and *collar* may result in symmetric or asymmetric incentives for the TNSP.
 - (g) Subject to paragraphs (h) to (j) below, proposed *performance targets* must be equal to the TNSP's average performance history over the most recent five years. The data used to calculate the *performance target* must be consistently recorded based on the *parameter* definitions that apply to the TNSP under this *scheme*.
 - (h) The AER may approve a *performance target* based on a different period if it is satisfied that the use of a different period is consistent with the objectives in clause 1.4 of this *scheme*.
 - (i) If the performance history information described in clause 2.5(g) is not available, the AER may accept a *performance target* proposed by the TNSP if the AER is satisfied that the *performance target* is based on an appropriate benchmark or methodology.
 - (j) Proposed *performance targets* may be subject to reasonable adjustment to allow for:
 - (1) statistical outliers
 - (2) the expected effects on the TNSP's performance from any increases or decreases in the volume of capital works planned during the *regulatory control period* (compared with the volume of capital works undertaken during the period used to calculate the *performance target*), and
 - (3) *material changes* to an applicable *regulatory obligation*.
 - (k) The AER must be satisfied that the proposed values are consistent with the objectives listed in clause 1.4.

2.6 Revenue at risk

The level of *revenue at risk* attached to a TNSP's performance against its *parameters* and values is 1 per cent of the *maximum allowed revenue* for the relevant *calendar year*.

2.7 Weighting of parameters

- (a) A TNSP must, in its *revenue proposal*, propose *weightings* for each of the TNSP's *parameters* listed in Appendix B and demonstrate how these proposed *weightings* are consistent with the objectives listed in clause 1.4.
- (b) The sum of the *weightings* for a TNSP's *parameters* must equal the level of *revenue at risk* prescribed in clause 2.6.
- (c) Subject to clause 2.7(d) below, the *weighting* for a *parameter* can be zero.
- (d) The AER must be satisfied that the proposed *weightings* are consistent with the objectives listed in clause 1.4.

2.8 Timing of performance

- (a) TNSPs must measure their performance against the *parameters* and values applicable to the TNSP under this *scheme* on a *calendar year* basis within the *regulatory control period*. Unless stated otherwise in this *scheme*, the *calendar year* for each TNSP will run between 1 January and 31 December during a *regulatory control period*.
- (b) Where a TNSP's *regulatory control period*:
 - (1) commences after 1 January (the beginning of the *calendar year*), the TNSP must measure its performance for that *calendar year* from the commencement of the *regulatory control period* until 31 December of that year
 - (2) ceases before 31 December (the end of the *calendar year*), the TNSP must measure its performance for that *calendar year* from 1 January until the end of the *regulatory control period*.

2.9 Adjustments to maximum allowed revenue

- (a) The *s-factor* and *financial incentive* adjustment to the *maximum allowed revenue* for each TNSP will be calculated and approved annually by the AER in accordance with Appendix C.
- (b) This *scheme* does not operate retrospectively. An adjustment to a TNSP's *maximum allowed revenue* can only be made as a result of its performance in a period where *parameters* and values have been established under the *scheme* for the TNSP in advance of the relevant period.

3. Information and reporting requirements

3.1 Information for the transmission determination

A TNSP must include information on its proposed values, *weightings* and *other elements* in its *revenue proposal* in accordance with the *Submission Guidelines*.

3.2 Information for annual compliance

A TNSP must report on its annual performance against the *parameters* applicable to it in accordance with the *Information Guidelines*.

3.3 Annual review

- (a) The AER will review the service standards information that a TNSP is required to provide annually under the *Information Guidelines*.
- (b) In undertaking the review referred to in clause 3.3(a), the AER may assess:
 - (1) the appropriateness and accuracy of the TNSP's data collection, reporting and recording processes and systems
 - (2) whether the performance data reported is consistent with the *parameter* definitions and *other elements* contained in Appendix B and the *transmission determination*, and
 - (3) whether the *financial incentive* proposed by the TNSP has been calculated in accordance with this *scheme*.
- (c) The AER will advise the TNSP of the outcome of any review conducted under clause 3.3(a).
- (d) The timetable for the review referred to in clause 3.3(a) will be decided on an annual basis by agreement between the AER and the relevant TNSP and will have due regard to this *scheme* and the TNSP's pricing obligations under the NER.

3.4 Changes in data collection

- (a) A TNSP must notify the AER in writing as soon as it becomes aware of, or plans any *material changes* to data collection or recording methods used by the TNSP to record and report on the TNSP's performance against the TNSP's *parameters*.
- (b) Any notice provided to the AER under clause 3.4(a) must include an assessment of whether the changes to the data collection or recording methods no longer allow the TNSP to accurately record and report on the TNSP's performance against one of the *parameters* applicable to the TNSP.
- (c) The AER may amend this *scheme* as a result of the TNSP's new data collection methods.

4. Glossary

This *scheme* uses the following definitions.

cap means the level of performance which results in a TNSP receiving the maximum financial reward attributed to a *parameter*.

calendar year has the meaning set out in clause 2.8.

collars means the level of performance which results in a TNSP receiving the maximum financial penalty attributed to a *parameter*.

financial incentive is the dollar value of the revenue increment or decrement that the *maximum allowed revenue* is adjusted by in each *regulatory year* based on a TNSP's performance in the preceding *calendar year*.

force majeure event has the meaning set out in Appendix D.

material change means a change that can influence the otherwise resulting outcomes.

national electricity market has the meaning set out in the *National Electricity Law*.

National Electricity Rules or **NER** means the rules, as defined in the *National Electricity Law*.

other elements has the meaning set out in clause 2.3.

parameters means the *performance incentive scheme parameters* and includes the sub-parameters where applicable.

performance deadbands means a *performance target* which is set over a range of values, within which a TNSP neither receives a financial penalty or financial reward in the *regulatory year*.

performance target means the level of performance which results in a TNSP neither receiving a financial penalty or financial reward in the *regulatory year*.

revenue at risk means the maximum revenue increment or decrement that a TNSP can receive for a given level of performance against the *parameters*.

service target performance incentive scheme or **scheme** means the *service target performance incentive scheme* defined in the NER.

s-factor or **service standards factor** is the percentage revenue increment or decrement that the *maximum allowed revenue* is adjusted by in each *regulatory year* based on a TNSP's performance in the preceding *calendar year*.

TNSP means *transmission network service provider* as defined in the NER.

weightings means the proportion of the total *financial incentive* allocated to each of a TNSP's *parameters*.

Appendix A: Performance incentive scheme parameters – standard definitions

Parameter 1	Transmission circuit availability
Sub-parameters	<p>Total circuit availability</p> <p>Transmission circuit availability (critical circuits)</p> <p>Transmission circuit availability (non-critical circuits)</p> <p>Transmission circuit availability (peak periods)</p> <p>Transmission circuit availability (intermediate periods)</p> <p>Transmission lines</p> <p>Transmission transformers</p> <p>Transmission reactive</p>
Unit of measure	Percentage of total possible hours available.
Source of data	<p>TNSP outage reports and system for circuit availability</p> <p>Agreed schedule of critical circuits and plant</p> <p>Nominated peak/off-peak hours</p> <p>Currently peak- 7:00 am to 10:00 pm weekdays</p> <p>Or as otherwise defined by the TNSP/<i>NEMMCO</i></p> <p>Off peak all other times</p> <p>May include intermediate time periods and seasonal time periods</p>
Definition/formula	<p>Formula:</p> $\frac{\text{No. of hours per annum defined (critical/non-critical) circuits are available} \times 100}{\text{Total possible no. of defined circuit hours}}$ <p>Definition: The actual circuit hours available for defined (critical/non-critical) transmission circuits divided by the total possible defined circuit hours available.</p> <p>Note that there shall be an annual review of the nominated list of critical circuits/system components</p>
Inclusions	<p>‘Circuits’ includes overhead lines, underground cables, power transformers, phase shifting transformers, static var compensators, capacitor banks, and any other primary transmission equipment essential for the successful operation of the transmission system (TNSP to provide lists)</p> <p>Circuit ‘unavailability’ to include outages from all causes including planned, forced and emergency events, including extreme events</p>
Exclusions	<p>Unregulated transmission assets.</p> <p>Exclude from ‘circuit unavailability’ any outages shown to be caused by a fault or other event on a ‘3rd party system’ e.g. intertrip signal, generator outage, customer installation (TNSP to provide lists)</p> <p>Outages to control voltages within required limits, both as directed by <i>NEMMCO</i> and where <i>NEMMCO</i> does not have direct oversight of the</p>

network (in both cases only where the element is available for immediate energisation if required).

Force majeure events

Parameter 2	Loss of supply event frequency
Unit of measure	Number of events per annum.
Source of data	TNSP outage reports and system for circuit availability
Definition/formula	<p>Number of events greater than x system minutes per annum</p> <p>Number of events greater than y system minutes per annum</p> <p>Such that:</p> <ul style="list-style-type: none"> • a x system minutes event has a return period of one year • a y system minutes event has a return period of two years
Inclusions	<p>All unplanned outages exceeding the specified impact (that is, x minutes and y minutes)</p> <p>Unplanned outages on all parts of the regulated transmission system</p> <p>Extreme events</p> <p>Forced outages where notification to affected customers is less than 24 hours (except where <i>NEMMCO</i> reschedules the outage after notification has been provided).</p>
Exclusions	<p>Unregulated transmission assets (e.g. some connection assets)</p> <p>Successful reclose events (less than 1 minute duration)</p> <p>Any outages shown to be caused by a fault or other event on a '3rd party system' e.g. intertrip signal, generator outage, customer installation</p> <p>Planned outages</p> <p><i>Force majeure events</i></p>

Parameter 3	Average outage duration
Sub-parameters	Total average outage duration Transmission lines Transmission transformers/plant
Unit of measure	Minutes
Source of data	TNSP outage reports and system
Definition/formula	Formula: $\frac{\text{Aggregate minutes duration of all unplanned outages}}{\text{No. of events}}$ Definition: The cumulative summation of the outage duration time for the period, divided by the number of outage events during the period
Inclusions	Faults on all parts of the regulated transmission system (connection assets, interconnected system assets) All forced and fault outages whether or not loss of supply occurs
Exclusions	Planned outages Momentary interruptions (less than one minute) <i>Force majeure events</i>

Appendix B: Parameters and definitions applicable to individual TNSPs

Part 1 – SP AusNet

Parameter 1 Transmission circuit availability

This definition applies instead of the standard definition

Sub-parameters	<p>Total circuit availability</p> <p>Transmission circuit availability (peak critical)</p> <p>Transmission circuit availability (peak non-critical)</p> <p>Transmission circuit availability (intermediate critical)</p> <p>Transmission circuit availability (intermediate non-critical)</p>
Unit of measure	Percentage of total possible hours available.
Source of data	To be established in the <i>transmission determination</i> (including definitions of peak and intermediate periods, critical and non-critical circuits)
Definition/formula	<p>Formula:</p> $\frac{\text{No. of hours per annum defined (critical/non-critical) circuits are available}}{\text{Total possible no. of defined circuit hours}} \times 100$ <p>Definition: The actual circuit hours available for defined (critical/non-critical) transmission circuits divided by the total possible defined circuit hours available.</p> <p>Note that there shall be an annual review of the nominated list of critical circuits/system components</p>
Inclusions	<p>‘Circuits’ includes overhead lines, underground cables, power transformers, phase shifting transformers, static var compensators, capacitor banks, and any other primary transmission equipment essential for the successful operation of the transmission system (SP AusNet to provide lists)</p> <p>Circuit ‘unavailability’ to include outages from all causes including planned, forced and emergency events, including extreme events</p>
Exclusions	<p>Unregulated transmission assets.</p> <p>Connection assets</p> <p>Exclude from ‘circuit unavailability’ any outages shown to be caused by a fault or other event on a ‘3rd party system’ e.g. intertrip signal, generator outage, customer installation (TNSP to provide lists)</p> <p><i>Force majeure events</i></p> <p>Other events to be established in the <i>transmission determination</i></p>

Parameter 2 Loss of supply event frequency

The standard definition applies with the following modifications:

1. Replace x with 0.05 wherever it occurs
2. Replace y with 0.3 wherever it occurs
3. Additional exclusion events may be established in the *transmission determination*

NB: This parameter has a zero weighting.

Parameter 3 Average outage duration

The standard definition applies with the following modifications:

1. Delete the following sub-parameters:

Total average outage duration

2. Additional exclusion events may be established in the *transmission determination*

Part 2 - ElectraNet

Parameter 1 Transmission circuit availability

This definition applies instead of the standard definition

Sub-parameters Transmission Circuit Availability
Critical Circuit Availability Peak
Critical Circuit Availability Non Peak

Unit of measure Percentage of total possible hours available

Source of data To be established in transmission determination (including definitions of critical circuits and plant, peak, and non-peak periods)

Definition/formula Formula:

$$1 - \frac{\Sigma (\text{number of interrupted circuit hours})}{\text{total possible circuit hours available}}$$

where: Number of interrupted circuit hours means in relation to each circuit, the number of hours during each reporting period in which that circuit was unavailable to provide transmission services.

Total possible circuit hours available is the number of circuits multiplied by 8760 hours.

Inclusions Circuits include regulated overhead lines and underground cables (each with a designated ElectraNet transmission segment identification number). Transformers, reactive plant and other primary plant are excluded from the performance parameter.

Subject to the exclusions specified below, outages on all parts of the regulated transmission system from all causes including planned, forced and fault events.

Exclusions Unregulated transmission assets.

Any outages shown to be caused by a '3rd party system' eg intertrip signals, generator outage, customer installation, customer request or *NEMMCO* direction.

Outages to control voltages within required limits, both as directed by *NEMMCO* and where *NEMMCO* does not have direct oversight of the network (in both cases only where the element is available for immediate energisation if required).

The opening of only one end of a transmission line where the transmission line remains energised and available to carry power.

The number of interrupted hours related to a single transmission line redevelopment project or substation redevelopment project is capped at 336 hours (14 days).

Force majeure events

Parameter 2 Loss of supply event frequency

This definition applies instead of the standard definition

Sub-parameters Frequency of events where loss of supply exceeds x system minutes
Frequency of events where loss of supply exceeds y system minutes

Unit of measure Number of events per annum

Source of data To be established in *transmission determination*

Definition/formula Number of events greater than x system minutes per annum
Number of events greater than y system minutes per annum
The magnitude of x and y are to be established in the *transmission determination*
For the avoidance of doubt, y will be greater than x.
System minutes are calculated for each supply interruption by the “Load Integration Method” using the following formula:

$$\frac{\Sigma (\text{MWh unsupplied} \times 60)}{\text{MW peak demand}}$$

where:

where:

MWh unsupplied is the energy not supplied as determined by using NEM metering and substation load data. This data is used to estimate the profile of the load over the period of the interruption by reference to historical load data.

Period of the interruption starts when a loss of supply occurs and ends when ElectraNet offers supply restoration to the customer.

MW peak demand means the maximum amount of aggregated electricity demand recorded at entry points to the ElectraNet transmission network and interconnector connection points during the financial year in which the event occurs or at any time previously.

The performance parameter applies to exit points only.

An interruption >Y system minute(s) also registers as a >X system minute(s) event.

Interruptions affecting multiple connection points at exactly the same time are aggregated (i.e. system minutes are calculated on the basis of events rather than connection point interruptions).

Inclusions Subject to the exclusions specified below, all unplanned customer outages on all parts of the regulated transmission system.

Forced outages where notification to affected customers is less than 24 hours (except where *NEMMCO* reschedules the outage after notification has been provided).

Exclusions

Successful reclose events (less than 1 minute duration).

Unregulated transmission assets.

Any outages shown to be caused by a '3rd party system' eg intertrip signals, generator outage, customer installation, customer request or *NEMMCO* direction.

Planned outages.

For supply outages resulting from an interconnector outage, the Period of the Interruption is capped at half an hour. This is done to include the impact of automatic under-frequency load shedding, but to exclude the impact of any market failure to respond and restore load within required timeframes (i.e. excluding factors outside of ElectraNet's control).

Pumping station supply interruptions. These interruptions were excluded from historical data used for target setting due to the highly irregular nature of these loads, which makes accurate estimation of load profiles unreliable.

Force majeure events.

Where ElectraNet protection operates incorrectly ahead of 3rd party protection, the portion of customer load that would have been lost had ElectraNet protection not operated is removed from the total lost load.

Where ElectraNet protection operates correctly due to a fault on a 3rd party system no lost load is recorded.

Parameter 3 Average outage duration

This definition applies instead of the standard definition

Unit of Measure Minutes

Source of Data ElectraNet

Definition/Formula

Aggregate minutes duration of all unplanned outages

Number of connection point events

The cumulative summation of the outage duration time for the period, divided by the number of connection point outage events during the period.

where:

Outage duration time for a connection point starts when a loss of supply occurs and ends when ElectraNet offers supply restoration to the customer.

The performance parameter applies to exit points only.

Outage duration extends to the point at which supply restoration is offered to the customer.

Inclusions Subject to the exclusions specified below, customers supply outages on all parts of the regulated transmission system.

Forced outages where notification to affected customers is less than 24 hours (except where *NEMMCO* reschedules the outage after notification has been provided).

Exclusions Successful reclose events (less than 1 minute duration).

Unregulated transmission assets.

Any outages shown to be caused by a '3rd party system' eg intertrip signals, generator outage, customer installation, customer request or *NEMMCO* direction.

Planned outages.

For supply outages resulting from an interconnector outage, the duration is capped at half an hour. This is done to include the impact of automatic under-frequency load shedding, but to exclude the impact of any market failure to respond and restore load within required timeframes (i.e. excluding factors outside of ElectraNet's control).

Force majeure events.

Where ElectraNet protection operates correctly due to a fault on a 3rd party system no outage duration is recorded.

Part 3 - Transend

Parameter 1 Transmission circuit availability

This definition applies instead of the standard definition

Sub-parameters Circuit availability
 Transformer availability

Unit of measure Percentage of total possible hours available.

Source of data Transend

Definition/formula Formula:

$$\left(\frac{\text{No. hours per annum circuits are available}}{\text{Total possible no. of defined circuit hours}} \right) \times 100$$

Definition: The actual circuit hours available divided by the total possible defined circuit hours available.

Inclusions ‘Circuits’ includes overhead lines, underground cables, power transformers, phase shifting transformers, static var compensators, capacitor banks, and any other primary transmission equipment essential for the successful operation of the transmission system (Transend to provide lists)

Circuit ‘unavailability’ to include outages from all causes including planned, forced and emergency events, including extreme events

Exclusions Unregulated transmission assets.

Dedicated connection assets that supply a customer who has negotiated a higher (or lower) level of service required by the code, where that customer has agreed to the cost (or discount) for that higher (or lower) level of service.

Exclude from ‘circuit unavailability’ any outages shown to be caused by a fault or other event on a ‘3rd party system’ e.g. intertrip signal, generator outage, customer installation (Transend to provide lists)

Force majeure events

Part 4 - TransGrid

Parameter 1 Transmission circuit availability

The standard definition applies with the following modifications:

1. Replace the sub-parameters in the standard definition with the following sub-parameters:

- Transmission line availability
- Transformer availability
- Reactive plant availability

Parameter 2 Loss of supply event frequency

The standard definition applies with the following modifications:

1. Replace “x” with “0.05” wherever it occurs.
2. Replace “y” with “0.4” wherever it occurs.

Parameter 3 Average outage duration

The standard definition applies with the following modifications:

1. Delete the sub-parameters:

- Transmission lines
- Transmission transformer/plant

2. Apply a seven day cap per event on outage restoration time.

Part 5 - EnergyAustralia

Parameter 1 Transmission circuit availability

This definition applies instead of the standard definition

Sub-parameters Transmission circuit (feeder) availability

Unit of measure Percentage of total possible hours available.

Source of data TNSP outage reports and system for circuit availability

Definition/formula Formula:

$$\frac{\text{No. of hours per annum defined (critical/non-critical) circuits are available} \times 100}{\text{Total possible no. of defined circuit hours}}$$

Definition: The actual circuit hours available for defined (critical/non-critical) transmission circuits divided by the total possible defined circuit hours available.

Events will be capped at 14 days.

Inclusions 'Circuits' includes overhead lines, underground cables, power transformers, phase shifting transformers, static var compensators, capacitor banks, and any other primary transmission equipment essential for the successful operation of the transmission system (EnergyAustralia to provide lists)

Circuit 'unavailability' to include outages from all causes including planned, forced and emergency events, including extreme events

Exclusions Unregulated transmission assets.

Exclude from 'circuit unavailability' any outages shown to be caused by a fault or other event on a '3rd party system' e.g. intertrip signal, generator outage, customer installation (EnergyAustralia to provide lists)

Force majeure events

Parameter 2 Loss of supply event frequency

This parameter does not apply to EnergyAustralia.

Parameter 3 Average outage duration

This parameter does not apply to EnergyAustralia.

Part 6 - Murraylink

Parameter 1 Transmission circuit availability

The standard definition applies with the following modifications:

1. Replace the sub-parameters in the standard definition with the following sub-parameters:

- Planned circuit availability
- Forced peak circuit availability
- Forced off-peak circuit availability

2. Exclude outages needed to replace transformers where:

- (a) the replacement of the transformer was needed;
- (b) the time taken to replace the transformer was needed; and
- (c) the AER is satisfied that the replacement was the best alternative and all reasonable preventative measures have been taken.

Parameter 2 Loss of supply event frequency

This parameter does not apply to Murraylink.

Parameter 3 Average outage duration

This parameter does not apply to Murraylink.

Part 7 - Directlink

Parameter 1 Transmission circuit availability

This definition applies instead of the standard definition

Sub-parameters	Scheduled availability Forced peak availability Forced off-peak availability
Unit of measure	Percentage of total possible hours (capacity weighted) available.
Source of data	Directlink outage register and disturbance and outage report
Definition	<p>Forced outage event means the urgent and unplanned reduction in the real power transfer capability of Directlink that occurs as a necessary consequence of the actual or imminent occurrence of an event that poses, or has the potential to pose, an immediate threat to the safety of persons, hazard to any equipment or property or a threat to power system security.</p> <p>Scheduled outage event means the actual planned reduction in the real power transfer capability of Directlink that does not occur as a result of a forced outage event.</p> <p>Peak time is from 7.00 am to 10.00 pm weekdays (excluding public holidays in NSW).</p> <p>Off- peak all other times.</p>
Formula	$100\% - \left(\frac{\text{Hours of total capacity unavailable per year}}{\text{Total possible no. of defined circuit hours per year}} \right) \times 100$
Inclusions	<p>‘Circuits’ includes overhead lines, underground cables, power transformers, phase shifting transformers, static var compensators, capacitor banks, and any other primary transmission equipment essential for the successful operation of the transmission system</p> <p>Circuit ‘unavailability’ to include outages from all causes including planned, forces and emergency events, including extreme events</p> <p>For the avoidance of doubt, ‘circuits’ include all regulated transmission assets on the Directlink network.</p>
Exclusions	<p>Unregulated transmission assets.</p> <p>Exclude from ‘circuit unavailability’ any outages shown to be caused by a fault or other event on a ‘3rd party system’ e.g. intertrip signal, generator outage, customer installation (Directlink to provide lists)</p> <p>Force majeure events (see varied definition below)</p>
Definition of force majeure	<p>(a) ‘Force majeure events’ means any event, act or circumstance or combination of events, acts and circumstances that (despite the observance of good electricity industry practice) is beyond the</p>

reasonable control of the party affected by any such event, which may include, without limitation, the following:

- (i) fire, lightning, explosion, flood, earthquake, storm, cyclone, action of the elements, riots, civil commotion, malicious damage, natural disaster, sabotage, act of a public enemy, act of God, war (declared or undeclared), blockage, revolution, radioactive contamination, toxic or dangerous chemical contamination or force of nature
- (ii) action or inaction by a court, *NEMMCO* or government agency (including denial, refusal or failure to grant any authorisation, despite timely best endeavour to obtain same)
- (iii) strikes, lockouts, industrial and/or labour disputes and/or difficulties, work bans, blockades or picketing
- (iv) acts or omissions (other than a failure to pay money) of a party other than DJV which party either is connected to or uses the high voltage grid or is directly connected to or uses a system for the supply of electricity which in turn is connected to the high voltage grid

where those acts or omissions affect the ability of DJV to perform its obligations under the service standard by virtue of that direct or indirect connection to, or use of, the high voltage grid.

- (b) To avoid doubt, the following may be ‘force majeure events’ depending on the circumstances at the time:
 - (i) the loss of, or damage to, 11 or more control or secondary cables
 - (ii) the loss of, or damage to, two or more transformers and capacitor banks, either single or three phase, connected to a bus
 - (iii) the loss of, or damage to, a transformer, capacitor bank or reactor where the loss or damage is not repairable on site according to normal practice.
- (c) Words appearing in italics have the meaning assigned to them from time to time by the *National Electricity Rules*.

Parameter 2 Loss of supply event frequency

This parameter does not apply to Directlink.

Parameter 3 Average outage duration

This parameter does not apply to Directlink.

Part 8 - Powerlink

Parameter 1 Transmission circuit availability

Final decision pending

Parameter 2 Loss of supply event frequency

Final decision pending

Parameter 3 Average outage duration

Final decision pending

Part 9 - VENCorp

No parameters apply to VENCorp

Appendix C: Adjustments to allowed revenue

Calculating allowed revenue

The allowed revenue (AR) for each regulatory year of a *regulatory control period* is the *maximum allowed revenue* (MAR) and any adjustments, in accordance with clause 6A.3.1 and 6A.3.2 of the *National Electricity Rules*. This includes any *financial incentive* adjustments resulting from the *service target performance incentive scheme* in the preceding calendar year.

The AR is calculated as follows:

$$AR_t = MAR_t \pm \text{financial incentive}_{ct} \pm \text{other adjustments}$$

A TNSP's *financial incentive* (see below) within a *calendar year* of a regulatory control period will impact upon the TNSP's MAR in the immediately following financial year. As such, a six month² lag exists between when a TNSP's performance is measured, and when the *financial incentive* adjustment is made to the TNSP's MAR.

The financial incentive

The *financial incentive* is calculated as follows:

$$\text{financial incentive}_{ct} = \left(\frac{(MAR_{t-1} + MAR_{t-2})}{2} \times S_{ct} \right)$$

MAR = *maximum allowed revenue*
S = service standards factor (below)
t = regulatory year
ct = calendar year (below)

The MAR values used to determine the *financial incentive* will be those unadjusted values used to establish prices at the commencement of each relevant financial year.

The service standards factor

The *s-factor* for each measure is calculated by comparing a TNSP's performance against its *parameters* and the performance *targets, caps* and *collars* included in the TNSP's *transmission determination* within a *calendar year*. The maximum *s-factor* possible for each *parameter* is the *weighting* of that *parameter*.

The total *s-factor* is the sum of the *s-factors* for each parameter. The total *s-factor* result can not exceed the percentage of *revenue at risk* specified in clause 2.6 of this *scheme*.

² SP AusNet is only subject to a three month lag

Worked example

For example, assume that based on its performance between 1 January and 31 December 2007 a TNSP achieved a total *s-factor* of 0.80 per cent.

Year	S-factor	MAR
1 July 2006		\$100m
1 January 2007	0.80%	
1 July 2007		
1 January 2008		

Calculating the financial incentive

The *financial incentive* for an *s-factor* of 0.80 per cent is \$0.84 million as shown below.

$$\begin{aligned}
 \text{Financial incentive}_{2007} &= \left(\frac{(\text{MAR}_{2007-08} + \text{MAR}_{2006-07})}{2} \times S_{2007} \right) \\
 &= \left(\frac{(110 + 100)}{2} \times 0.8\% \right) \\
 &= \$0.84\text{m}
 \end{aligned}$$

Calculating the allowed revenue

The *financial incentive* of \$0.84 million for the 2007 *calendar year* would not affect the AR until the preceding financial year beginning 1 July 2008. Assuming no other adjustments were made in accordance with clause 6A.3.1 and 6A.3.2 of the *National Electricity Rules*, the AR for the 2008 regulatory year would be:

$$\begin{aligned}
 \text{AR}_{2008-09} &= \text{MAR}_{2008-09} + \text{financial incentive}_{2007} \\
 &= \$120\text{m}^3 + \$0.84\text{m} \\
 &= \$120.84\text{m}
 \end{aligned}$$

Adjustments to the financial incentive formula

The *financial incentive* formula will be adjusted by the AER in the following circumstances:

³ It is assumed that the MAR for the 2008–09 period will be \$120 million.

Overlap between regulatory control periods

As noted above, a TNSP's performance in a *calendar year* will not affect the AR until the financial year commencing on 1 July in the following year. This means that a TNSP's performance in the last year of its *regulatory control period* will affect its AR in the following *regulatory control period*.

If, for example, a TNSP has a *regulatory control period* of 5 years which runs between 1 July 2007 and 30 June 2012, its performance in the 2011 *calendar year* will affect its AR in the first financial year of the next *regulatory control period* (that is 2012/13).

The TNSP's AR in the second financial year of the next *regulatory control period* (that is 2013/14) will be affected by its performance in the final six months of the last *regulatory control period* and the first six months next *regulatory control period*. The AR in this financial year will be calculated by applying the following formula:

$$\text{AR}_{2013-14} = \text{MAR}_{2013-14} + \text{financial incentive}_{2012}$$

Where:

$$\text{Financial incentive}_{2012} = \left(\frac{(\text{MAR}_{2011-12})}{2} \times S_{1\text{Jan } 2012 - 30\text{Jun } 2012} \right) + \left(\frac{(\text{MAR}_{2012-13})}{2} \times S_{1\text{Jul } 2012 - 31\text{Dec } 2012} \right)$$

Where performance is measured over part of a calendar year

Where a TNSP's performance has not been measured under the *scheme* for a full calendar year the AER will make a pro-rata adjustment to the MAR to apply to the *s-factor* to calculate the *financial incentive*. For example this adjustment may be made where a new TNSP becomes subject to the *scheme* at the commencement of a financial year.

SP AusNet

SP AusNet's *regulatory year* runs from 1 April to 31 March in the following year to correspond with the Singapore financial year. To account for this anomaly there will be a three month lag between when SP AusNet's performance is measured, and when the *financial incentive* adjustment is made to SP AusNet's MAR.

The *financial incentive* for SP AusNet will be calculated as follows:

$$\text{Financial incentive}_{ct} = \left(\left(\text{MAR}_{t-1} \times \frac{9}{12} \right) + \left(\text{MAR}_{t-1} \times \frac{3}{12} \right) \right) \times S_{ct}$$

Appendix D: Definition of force majeure

For the purpose of applying the *service target performance incentive scheme*, *force majeure event* means any event, act or circumstance or combination of events, acts and circumstances which (despite the observance of good electricity industry practice) is beyond the reasonable control of the part affected by any such event, which may include, without limitation, the following:

- fire, lightning, explosion, flood, earthquake, storm, cyclone, action of the elements, riots, civil commotion, malicious damage, natural disaster, sabotage, act of a public enemy, act of God, war (declared or undeclared), blockage, revolution, radioactive contamination, toxic or dangerous chemical contamination or force of nature
- action or inaction by a court, government agency (including denial, refusal or failure to grant any authorisation, despite timely best endeavour to obtain same)
- strikes, lockouts, industrial and/or labour disputes and/or difficulties, work bans, blockades or picketing
- acts or omissions (other than failure to pay money) of a party other than the TNSP which party either is connected to or uses the high voltage grid or is directly connected to or uses a system for the supply of electricity which in turn is connected to the high voltage grid
- where those acts or omissions affect the ability of the TNSP to perform its obligations under the service standard by virtue of that direct or indirect connection to or use of the high voltage grid.

In determining what force majeure events should be excluded the AER will consider the following:

- Was the event unforeseeable and its impact extraordinary, uncontrollable and not manageable?
- Does the event occur frequently? If so how did the impact of the particular event differ?
- Could the TNSP, in practice, have prevented the impact (not necessarily the event itself)?
- Could the TNSP have effectively reduced the impact of the event by adopting better practices?