

28 July 2015

Mr Craig Oakeshott  
Director, Wholesale Markets Branch  
Australian Energy Regulator (AER)  
GPO Box 922  
Adelaide SA 5001

Dear Craig

### **Submission to AER – Draft Service Target Performance Incentive Scheme (STPIS) version 5**

Hydro Tasmania appreciates the opportunity to provide a submission to the Australian Energy Regulator's (AER's) current redesign of the Service Target Performance Incentive Scheme (STPIS) for Transmission Network Service Providers (TNSPs) [Version 5].

As a major generator in Tasmania and owner of a growing energy retail business in Victoria (Momentum Energy Pty Limited), Hydro Tasmania is vulnerable to outages of key transmission lines and network constraints and therefore transmission network reliability and performance are key business risks.

Outage planning, more recently supported by the bonus only Market Impact Component (MIC) of STPIS, has been achieving reasonably effective outcomes in the Tasmanian region. Hydro Tasmania believes a symmetrical MIC will further complement the focus already provided. It should be noted however, Hydro Tasmania's comments in this submission are not region specific.

We support the proposed amendments outlined in the explanatory statement, and believe these are consistent with the National Electricity Rules clause 6A.7.4.

#### **Changes to Service Component**

Hydro Tasmania supports changes made by AER to the Service Component of STPIS.

#### **Changes to Market Impact Component**

Hydro Tasmania is fully supportive of a symmetrical approach applied to the MIC. Hydro Tasmania has in the past written to the AER on several occasions advocating for the introduction of this approach. Hydro Tasmania believe that efficient market outcomes would be encouraged by the provision of further incentives to TNSPs to improve transmission outage planning practices which have the potential to affect wholesale market outcomes.

Hydro Tasmania however believes the revenue at risk for the TNSP's from the MIC should be +/- 2%. This approach does not increase costs to customers (versus the current MIC) and ensures sufficient incentives are imposed to avoid inefficient market outcomes.

#### **Changes to Network Capability Component**

Hydro Tasmania supports changes made by AER to the Network Capability Component of STPIS.

Should you have any queries or require further information, please contact Mr Prajit Parameswar (email: [prajit.parameswar@hydro.com.au](mailto:prajit.parameswar@hydro.com.au) or telephone: (03) 6230 5612).

Yours sincerely

A handwritten signature in black ink that reads "D. Bowker." with a horizontal line underneath the name.

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