



OFFICE OF THE CHIEF EXECUTIVE

Ref. A980580

21 January 2011

Warwick Anderson
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Warwick,

RESPONSE TO THE AER EXPLANATORY STATEMENT ON POWERLINK'S PROPOSED SERVICE TARGET PERFORMANCE INCENTIVE SCHEME

The AER released an Explanatory Statement on 3 December 2010 in response to Powerlink's proposal to refine its Service Target Performance Incentive Scheme for the regulatory period 1 July 2012 to 30 June 2017. The AER invited written submissions on the draft amendments to the Scheme proposed in its Explanatory Statement. Powerlink's response is attached.

After careful consideration, Powerlink has accepted the AER's position in relation to ten of the twelve items in the scheme. However, Powerlink is unable to accept the AER's position in relation to two of the twelve items.

Powerlink has particular concerns regarding the AER's proposed severe reduction in the Loss of Supply thresholds to 0.30 and 0.05 system minutes. Powerlink believes that the AER needs to consider the specific topology and geography of the Queensland grid (including imminent developments), rather than pursue a one-size-fits-all approach.

Powerlink's proposed thresholds of 0.75 and 0.15 system minutes already incorporated significant reductions to the current scheme (of 1.0 and 0.2 system minutes respectively). Further information relating to Powerlink's network characteristics, new customer connections and operating requirements has been provided to support Powerlink's proposed thresholds.

Powerlink considers that these and other proposed enhancements to the AER's Explanatory Statement outlined in this response will continue to provide Powerlink with the incentive to develop and operate an efficient and reliable transmission network that will meet the needs of the fast growing Queensland economy in general, and the needs of existing and new large loads.

In addition to Powerlink's proposed individual plant circuit availability sub parameters, the AER requested Powerlink include an additional peak measure. To assist the AER with its request, Powerlink has provided details of a proposed Transmission Circuit Availability (Peak Periods) sub parameter.

33 Harold Street ,Virginia
PO Box 1193, Virginia, Queensland 4014, Australia
Telephone: (07) 3860 2111 Facsimile: (07) 3860 2100
Website: www.powerlink.com.au

Page 1 of 2

Powerlink is happy to discuss the matters outlined in this response further with the AER or provide additional information if required. If you have any queries in relation to this matter please contact Stewart Bell on (07) 3860 2374.

Yours sincerely,



Gordon Jardine
CHIEF EXECUTIVE