

30 March 2011

Mr Chris Pattas
General Manager
Network Regulation South Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email chris.pattas@aer.gov.au

Dear Chris,

**Proposal for early adoption of the
Market Impacts of Transmission Congestion (MITC) measure**

Pursuant to clause 11.32.2 of the NER SP AusNet proposes that the MITC measure of the Service Target performance Incentive Scheme (STPIS) apply to SP AusNet earlier than the next regulatory control period.

Rule allowing for early adoption

On 12 March 2010 the *National Electricity Amendment (Early Implementation of Market Impact Parameters) Rule 2010* took effect. This rule provides that a transmission network service provider (TNSP) may apply to the AER to have the MITC measure of the (STPIS) apply to it during its current regulatory control period.

Clause 11.32.3(d) of the National Electricity Rules (NER) requires that a TNSP's proposal for early adoption of the MITC measure must set out:

- (1) its proposed start date;
- (2) if relevant, information on whether the TNSP can apply the MITC scheme earlier than the proposed start date; and
- (3) the proposed values for a performance target and a cap in accordance with the relevant requirements of the market impact component of the service target performance incentive scheme.

The option to apply for early adoption of the MITC measure is extinguished once the AER revises the STPIS published in March 2008, as stated in clause 11.32.3(b).

SP AusNet proposal

SP AusNet is applying for the early application of the MITC measure of the March 2008 STPIS which to date has not been amended, consistent with clause 11.32.3(b) of the NER.

In accordance with the requirements of clause 11.32.3(d) SP AusNet proposes the following details for the early implementation of the MITC measure in the current 2008-14 regulatory control period:

Commencement date: 1 August 2011

The proposed date is appropriate as it is at least 80 business days after the submission of the proposal, consistent with clause 11.32.3(e) of the NER.

SP AusNet does not seek to have the scheme apply earlier than the proposed commencement date as the business will be preparing for the introduction of the measure, including implementing monitoring and performance reporting.

Proposed Performance Target: 1,334 dispatch intervals

A summary of the constraint data supporting SP AusNet's proposed performance target is provided below.

	Summary of included dispatch intervals (DIs)		
Year	Relevant DIs with Marginal Value > \$10	Exclusions under MITC (DIs)	Inclusions under MITC (DIs)
2006	2,046	1,162	884
2007	3,925	2,794	1,131
2008	3,984	1,633	2,351
2009	2,674	1,618	1,056
2010	2,479	1,230	1,249
Target (Ann Ave)			1,334

A summary of the relevant binding constraints data which has been prepared in accordance with the scheme is provided in Attachment 1. More detailed data supporting the proposed performance target is contained in Attachment 2 (enclosed memory stick). This includes information on how SP AusNet has undertaken filtering of the data and applied exclusions to determine the proposed performance target.

Proposed performance cap: 0 dispatch intervals

SP AusNet's proposed performance cap of zero dispatch intervals is consistent with the STPIS. This means that the maximum incentive payment of 2% of maximum allowed revenue (MAR) for the relevant calendar year is available to SP AusNet if it achieves a performance outcome of zero dispatch intervals. SP AusNet notes that the MITC measure is asymmetric and operates on a reward only basis.

Should you have any queries regarding this proposal and the information provided, please do not hesitate to contact Anh Mai, Principal Economist, on 03 9695 6627.

Yours sincerely,



Alistair Parker
Director, Regulatory and Network Strategy
SP AusNet

Enclosed: Attachment 1: Summary of relevant constraints
Attachment 2: SP AusNet AER Proposal Constraint Dataset