

4 February 2011

Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Sir,

Performance Incentive Scheme Report for 2010 Calendar Year

Herewith I submit ElectraNet's annual Service Targets Performance Incentive Scheme (STPIS) report for the 2010 calendar year, which has been prepared in accordance with the applicable guidelines and revenue determination.

Clause 3.3(d) of the First Proposed Service Target Performance Incentive Scheme of January 2007 dictates that the timetable for the annual review will be decided on an annual basis by agreement between the AER and the relevant TNSP and will have due regard to the scheme and the TNSP's pricing obligations under the National Electricity Rules (the Rules).

ElectraNet is required to report actual performance for the period 1 January to 31 December 2010 against the performance measures determined by the AER in ElectraNet's revenue cap decision 2008-2013 and to provide:

- A list of events that ElectraNet believes should be excluded from the performance measures for the period, and for each event a description of the event and its impact, quantification of the impact and the reasons for the exclusion request; and
- The calculation of the financial incentive as per the revenue cap decision applying to the period.

The STPIS is based on service standard measures that are common to all TNSPs. However, the ACCC recognised in its November 2003 decision on service standards that there must be flexibility in how these performance measures are implemented for each TNSP. In particular, the importance of measuring performance consistently over time was emphasised. The STPIS is based on the assumption that performance measurement will be

consistent with the way in which historical performance was derived for target setting.

In its letter of 30 April 2010 the AER sought advice from ElectraNet with respect to the future treatment of transient outages of less than one minute for calculation of the availability parameters.

The transient outages concerned relate to successful reclose events on the transmission network following protection operation to clear lightning and other environmental related faults. These outages typically result in line outages of less than 10 seconds and the durations are not routinely recorded by automatic recording systems. They have historically been treated as zero length outages for the purpose of calculating these parameters and setting of the associated targets, caps and collars.

The practice of requesting the exclusion of these events arose from AER staff requests in previous years. ElectraNet does not believe that this exclusion is required under the applicable guideline and would prefer not to continue this practice.

Discussion of specific exclusions

Major project outages of more than 14 days

In 2004 ElectraNet applied for the exclusion of major line outages for the rebuilding of the Para - Waterloo 132kV transmission line. The ACCC's auditor Sinclair Knight Merz (SKM) recommended that the ACCC accept ElectraNet's exclusion as it was consistent with the definitions used for target setting for the STPIS. However, the ACCC decided that, as the work was included in the revenue cap it should not be excluded from the performance incentive, but that it would be appropriate that the time associated with the event be capped at 14 days in aggregate in calculating ElectraNet's transmission circuit availability figure. The AER subsequently incorporated this cap into the STPIS that has applied to ElectraNet since 1 July 2008.

During the 2010 ElectraNet managed a number of significant projects which each exceeded the 14 day cap provision. The treatment of these capped exclusions is detailed in the attached template.

Third party events – non customer

In 2009 ElectraNet sought to exclude a number of access related outages requested by third parties to facilitate road widening and high vehicle transport that occurred in the 2008 calendar year. ElectraNet maintained that these outages were clearly of a third party nature and satisfied the exclusion requirement in the definitions. The auditor, Parsons Brinckerhoff (PB), maintained that these outages did not satisfy the definition as the third party concerned was not a customer of ElectraNet subject to a transmission connection agreement (TCA). The AER subsequently granted these exclusions and stated that such outages would be assessed on a case by case basis in the future. ElectraNet has sought no exclusions of this kind for the 2010 calendar year.

Third party events – customer

For the 2009 calendar year ElectraNet sought and received exclusions for a number of transmission line outages that were required to enable access by third parties to the transmission network. These works were:

- Required solely due to the obligations under clauses 5.2.3.(d)(1) and 6A.1.3 of the Rules and clause 4 of the Electricity Transmission Licence for ElectraNet to grant access to third parties to the transmission network;
- Conducted in accordance with TCA's between the customers and ElectraNet which were established following a customer access request;
- Minimised and coordinated in accordance with clauses 3.2 and 3.3 of the Electricity Transmission Code so as to reduce any consequent transmission service interruptions or restrictions.

These third party requested outages, which are excluded under the definitions, are listed in the attached templates.

Major plant outages resulting in line outages to control voltages

On Saturday 6 July 2010 at 21:05 the East Terrace 275/66kV transformer tripped due to the failure of the transformer tap changer. This resulted in the Magill – East Terrace 275kV cable being de-energised. The transformer outage did not result in an interruption to supply.

Following the disconnection of the transformer and cable the transformer was inspected and it was determined on 6 July 2010 at 22:28 that the fault was limited to the transformer and that, but for voltage control issues, the Magill – East Terrace 275kV cable could be returned to service and energised to the East Terrace 275kV bus.

As the cable could not be energised without exceeding acceptable voltage limits it was not re-energised until the transformer was returned to service on 29 August 2010 at 20:51.

Consistent with the definitions ElectraNet is seeking exclusion of the period between the point at which it was determined that the cable could be returned to service but for the requirement to control voltages to required limits, until the cable was re-energised to facilitate the return to service of the East Terrace 275kV transformer. ElectraNet seeks this exclusion as under the scheme transformers are excluded from the availability parameter and the cable was available for prompt return to service at any point during the transformer outage.

The attachment lists all outages which are excluded by definition from the parameters and which the AER has nonetheless required us to report and request exclusions for.

Force majeure events

There are no force majeure events claimed during the period.

Calculation of Incentive

ElectraNet's actual performance is shown in the attached AER Proforma (Attachment 1) that summarises actual performance against each performance measure, including calculation of the S factors and the applicable revenue bonus/ penalty for the 2010 calendar year.

Calculations are presented with and without exclusions as required by the guideline and consistent with previous discussions with your officers.

Audit of Performance

Full access to all relevant systems and reports to support this application will be made available to the auditor.

Please do not hesitate to contact Bill Jackson on (08) 8404 7969 should you require clarification of any of the information provided in this report.

Yours sincerely,



Simon Appleby
Senior Manager Regulatory Affairs

ATTACHMENT 1 – AER PROFORMA FOR CALCULATION OF S FACTOR AND INCENTIVE

TEMPLATE EXPLANATION



This template must be used by the TNSP to report service performance information for the previous calendar year.

Yellow worksheets (**'Inputs - Performance'** and **'Inputs - Exclusions'**) are for inputs, including performance and exclusion information. The TNSP only needs to enter data on these worksheets.

Purple worksheets **'S1' to 'S6'** are the s-factor results based on the performance inputs from the 'Inputs - Performance' worksheet.

Blue worksheet **'Revenue Calculation'** quantifies the appropriate revenue to be applied to the s-factor results adjusted for CPI.

Red worksheet **'Outcomes'** shows the total performance, s-factor and financial incentive results based on the TNSP's performance in 'Inputs-Performance' and 'Revenue Calculation' worksheets.

Orange worksheet **'Exclusion Definitions'** are the defined exclusions for each TNSP which should form the basis of exclusion requests under 'Inputs-Exclusions' worksheet.

ElectraNet - SERVICE STANDARDS PERFORMANCE

Performance Inputs							
S	Performance parameter	Collar	Target	Cap	Revenue at Risk	Performance (Without exclusions)	Performance (With exclusions)
S1	Total transmission circuit availability	99.10%	99.47%	99.63%	0.30%	99.230000%	99.713000%
S2	Critical circuit availability – peak	98.52%	99.24%	99.51%	0.20%	99.650000%	99.748000%
S3	Critical circuit availability – non-peak (zero weighting)	98.88%	99.62%	99.95%	0.00%	99.490000%	99.490000%
S4	Loss of supply event frequency (>0.05 system minutes)	11	8	6	0.10%	12	11
S5	Loss of supply event frequency (>0.2 system minutes)	6	4	2	0.20%	7	6
S6	Average outage duration (minutes)	119	78	38	0.20%	129	130

Revenue Determination Inputs	
TNSP:	ElectraNet
STPIS version:	January, 2007
Regulatory Determination	2008/09 - 2012/13
Base Year Allowed Revenue	\$ 229,990,000
Base Year	2008–09
X-factor	-5.93%
Commencement of regulatory year	01-Jul-08

Other inputs	
Assessment Period	2010
Financial year to affect revenue:	2011/12
Date prepared:	
Revision date:	

Other Inputs						
Annual revenue adjusted for C	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
CPI	162.2	166.2	170.0			

NOTE:

Pink cells - Performance without exclusions input cells

Orange cells - Performance with exclusions input cells

Green cells - Other inputs

Blue cells - Inputs sourced from the revenue determination

Performance is based on a calendar year or the proportion of a calendar year that applies in each regulatory period.

ElectraNet - Proposed exclusions

Circuit Availability

Table with columns: Circuit Availability, Event proposed for exclusion, Description of the event and its impact on the network and performance, Cause of the event, Start date, End date, End time, Circuit affected, Reactive plant or transformer, Quantities, Reasons for exclusion request, and Further reference. The table lists various events across different circuits like BUNGAMA, HERMANS, and DALRYMPLE, detailing their causes and impacts.

ElectraNet - S1 - Total transmission circuit availability

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Total transmission circuit availability	99.90%	99.10%	99.47%	99.63%	99.90%
Weighting	-0.30%	-0.30%	0.00%	0.30%	0.30%

Performance Formulae	Formulae				Conditions		S- Calc 1	S- Calc 2
Performance	=	-0.003000				Availability < 99.10%	-0.003000	-0.003000
	=	0.810811	x	Availability	+ -0.806514	99.10% ≤ Availability ≤ 99.47%	-0.001946	0.001970
	=	1.875000	x	Availability	+ -1.865063	99.47% ≤ Availability ≤ 99.63%	-0.004500	0.004556
	=	0.003000				99.63% < Availability	0.003000	0.003000

Performance Outcomes		Performance (Without Exclusions)	Performance (Exclusions)
Total transmission circuit availability	=	99.230000%	99.713000%
S-Factor	=	-0.194595%	0.300000%

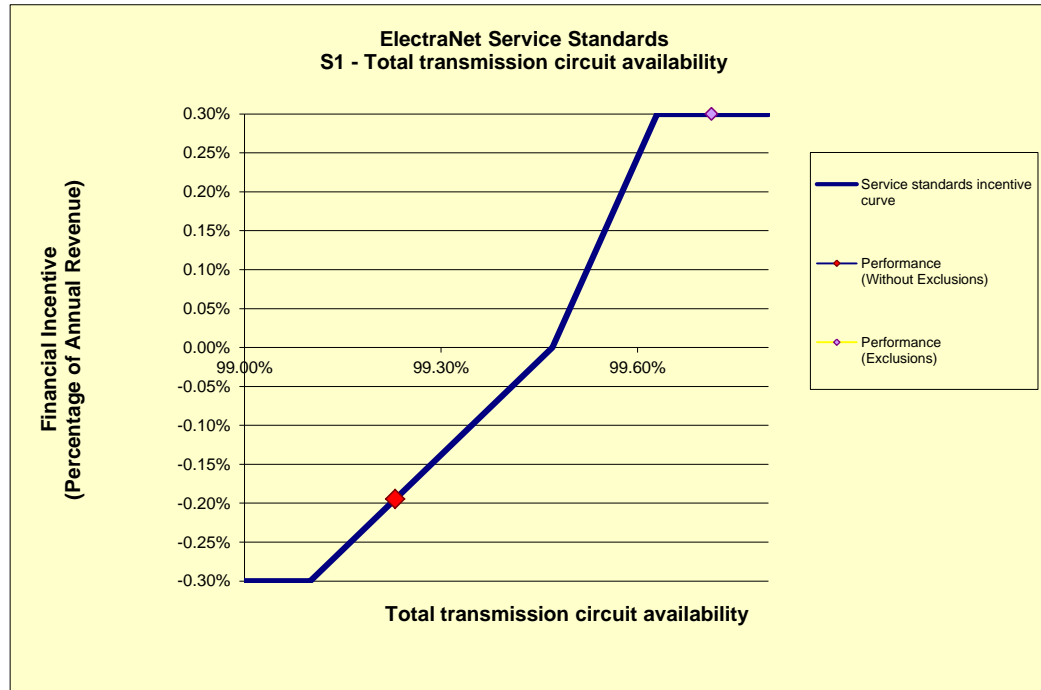
NOTE: This sheet will automatically update based on data in input sheets

Blue cells show the TNSP's performance targets and weightings

Yellow/Green cells show the TNSP's performance formulae and related formula conditions based on performance targets and weightings

Pink cells show the TNSP's performance outcomes without any events excluded from performance data

Orange cells show the TNSP's performance outcomes with events excluded from performance data



ElectraNet - S2 - Critical circuit availability – peak

Performance Targets	Graph start	Collar	Target	Cap	Graph end
critical circuit availability – peak	98.30%	98.52%	99.24%	99.51%	99.70%
Weighting	-0.20%	-0.20%	0.00%	0.20%	0.20%

Performance Formulae	Formulae				Conditions	S- Calc 1	S- Calc 2
Performance	=	-0.002000			When: Availability < 98.52%	-0.002000	-0.002000
	=	0.277778	x	Availability	98.52% ≤ Availability ≤ 99.24%	0.001139	0.001411
	=	0.740741	x	Availability	99.24% ≤ Availability ≤ 99.51%	0.003037	0.003763
	=	0.002000			99.51% < Availability	0.002000	0.002000

Performance Outcomes	Performance (Without Exclusions)	Performance (Exclusions)
critical circuit availability – peak	= 99.650000%	99.748000%
S-Factor	= 0.200000%	0.200000%

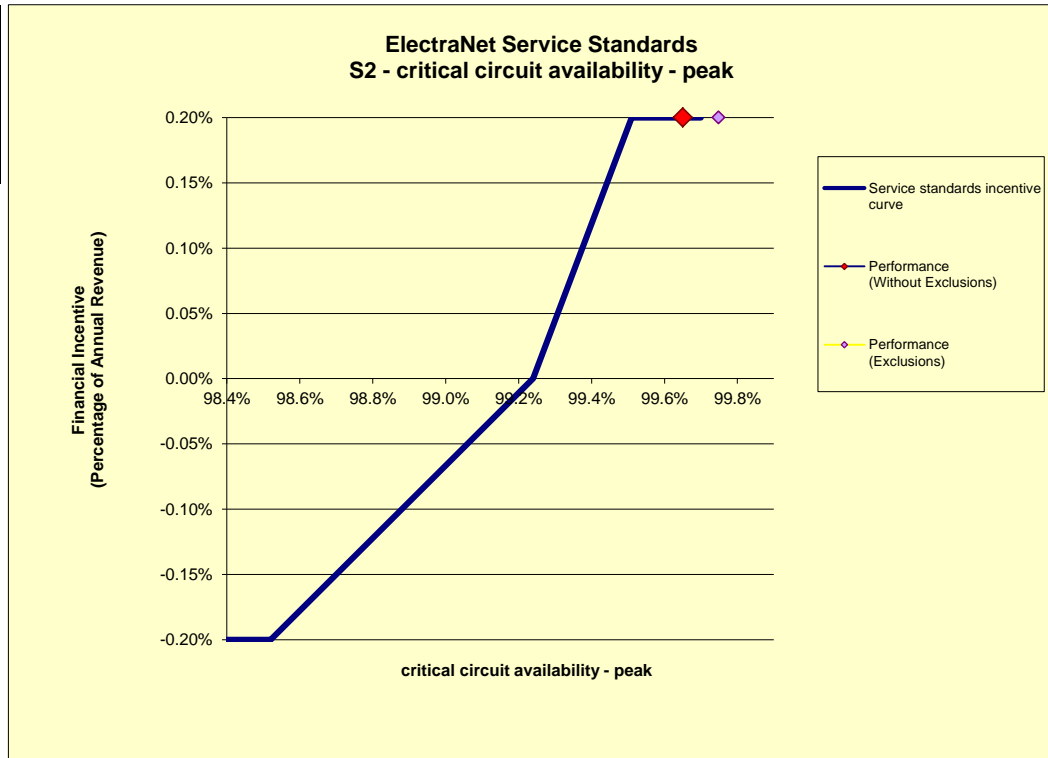
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Yellow/Green cells show the TNSP's performance formulae and related formula conditions based on performance targets and weightings

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Orange cells show the TNSP's performance outcomes with events excluded from performance data



ElectraNet - S3 - Critical circuit availability – non-peak (zero weighting)

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Circuit availability – non-peak (zero weighting)	98.70%	98.88%	99.62%	99.95%	100.20%
	0.00%	0.00%	0.00%	0.00%	0.00%

Performance Formulae	Formulae				Conditions			S- Calc 1	S- Calc 2				
Performance	=	0.000000			When:	Availability	<	98.88%	0.000000	0.000000			
	=	0.000000	x	Availability	+	0.000000	98.88%	≤	Availability	≤	99.62%	0.000000	0.000000
	=	0.000000	x	Availability	+	0.000000	99.62%	≤	Availability	≤	99.95%	0.000000	0.000000
	=	0.000000					99.95%	<	Availability			0.000000	0.000000

Performance Outcomes		Performance (Without Exclusions)	Performance (Exclusions)
Circuit availability – non-peak (zero weighting)	=	99.490000%	99.490000%
S-Factor	=	0.000000%	0.000000%

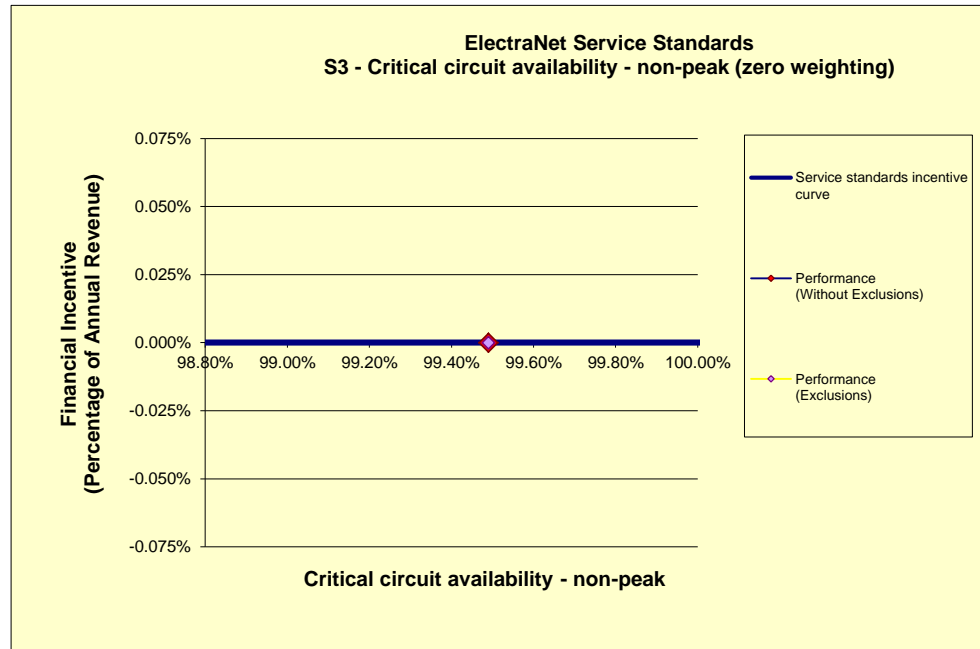
NOTE: This sheet will automatically update based on data in input sheets

Blue cells show the TNSPT's performance targets and weightings

Yellow/Green cells show the TNSP's performance formulae and related formula conditions based on performance targets and weightings

Pink cells show the TNSP's performance outcomes without any events excluded from performance data

Orange cells show the TNSP's performance outcomes with events excluded from performance data



ElectraNet - S4 - Loss of supply event frequency (>0.05 system minutes)

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Loss of supply event frequency (>0.05 system minutes)	13	11	8	6	-
Weighting	-0.10%	-0.100%	0.00%	0.100%	0.10%

Performance Formulae	Formulae					Conditions	S- Calc 1	S- Calc 2
Performance	=	-0.001000				11 < No. of events	-0.001000	-0.001000
	=	-0.000333	x	No. of events	+	0.002667 8 ≤ No. of events ≤ 11	-0.001333	-0.001000
	=	-0.000500	x	No. of events	+	0.004000 6 ≤ No. of events ≤ 8	-0.002000	-0.001500
	=	0.001000				No. of events < 6	0.001000	0.001000

Loss of supply event frequency (>0.05 system minutes)	=	Performance (Without Exclusions)	Performance (Exclusions)
Loss of supply event frequency (>0.05 system minutes)	=	12	11
S-Factor		-0.100000%	-0.100000%

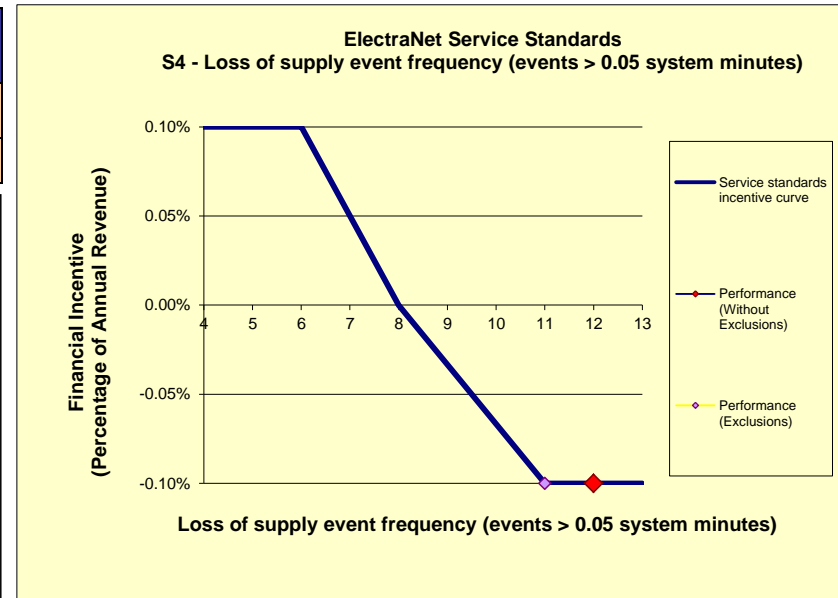
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Yellow/Green cells show the TNSP's performance formulae and related formula conditions based on performance targets and weightings

Pink cells show the TNSP's performance outcomes without any events excluded from performance data

Orange cells show the TNSP's performance outcomes with events excluded from performance data



ElectraNet - S5 - Loss of supply event frequency (>0.2 system minutes)

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Loss of supply event frequency (>0.2 system minutes)	8	6	4	2	0
Weighting	-0.20%	-0.200%	0.00%	0.200%	0.20%

Performance Formulae	Formulae					Conditions	S- Calc 1	S- Calc 2	
Performance	=	-0.002000				6 < No. of events	-0.002000	-0.002000	
	=	-0.001000	x	No. of events	+	0.004000	4 ≤ No. of events ≤ 6	-0.003000	-0.002000
	=	-0.001000	x	No. of events	+	0.004000	2 ≤ No. of events ≤ 4	-0.003000	-0.002000
	=	0.002000					No. of events = 2	0.002000	0.002000

Loss of supply event frequency (>0.2 system minutes)	=	Performance (Without Exclusions)	Performance (Exclusions)
Loss of supply event frequency (>0.2 system minutes)	=	7	6
S-Factor		-0.200000%	-0.200000%

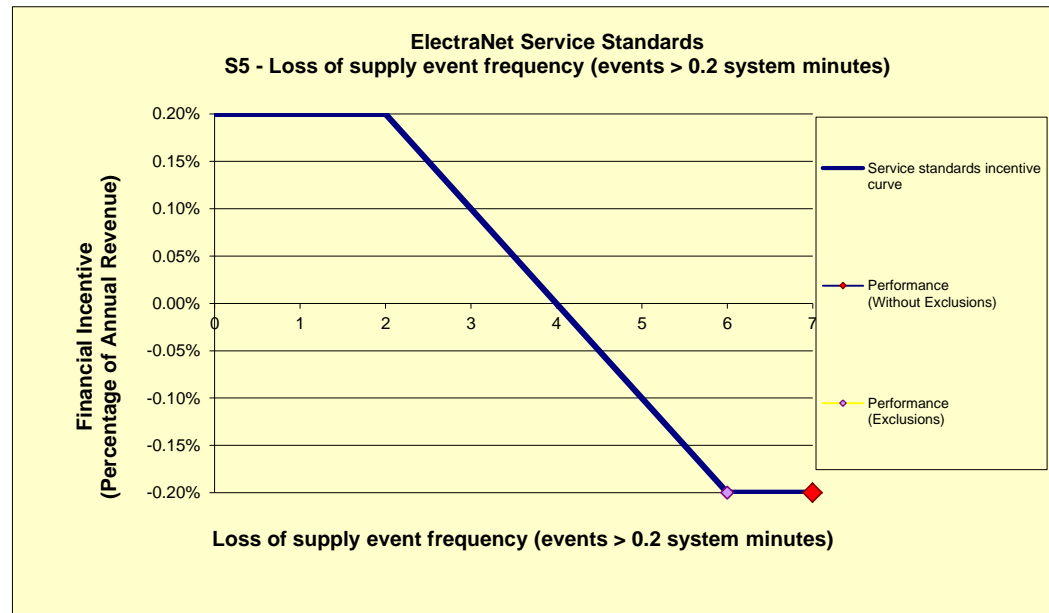
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Pink cells show the TNSP's performance outcomes without any events excluded from performance data

Orange cells show the TNSP's performance outcomes with events excluded from performance data

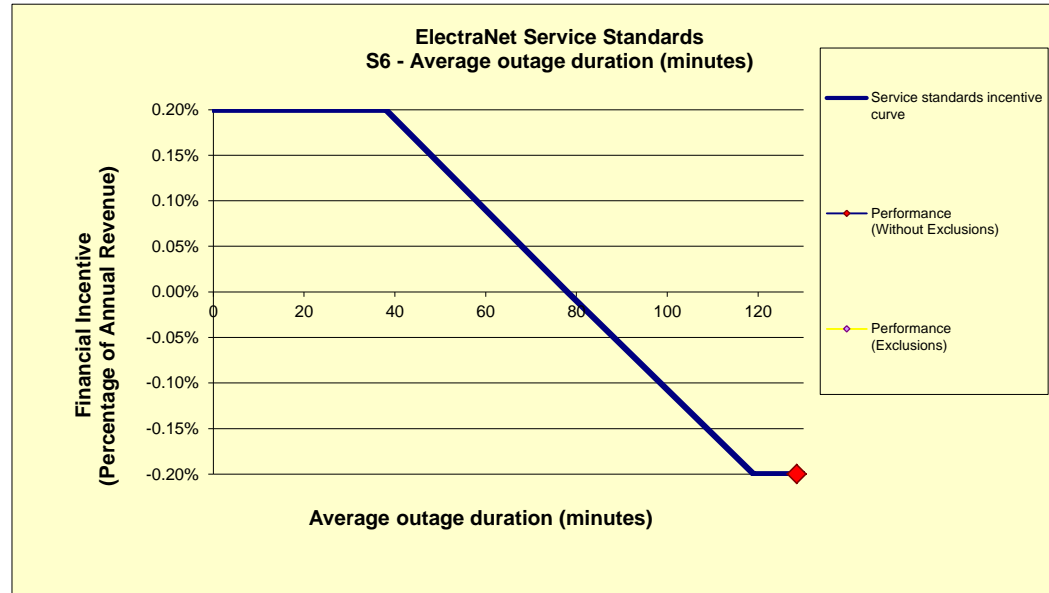


ElectraNet - S6 - Average outage duration (minutes)

Performance Targets	Graph start	Collar	Target	Cap	Graph end
Average outage duration (minutes)	319	119	78	38	-
Weighting	-0.20%	-0.200%	0.00%	0.200%	0.20%

Performance Formulae	Formulae					Conditions	S- Calc 1	S- Calc 2	
Performance	=	-0.002000				119 < Duration	-0.002000	-0.002000	
	=	-0.000049	x	Duration	+	0.003805	78 ≤ Duration ≤ 119	-0.002466	-0.002541
	=	-0.000050	x	Duration	+	0.003900	38 ≤ Duration ≤ 78	-0.002528	-0.002605
	=	0.002000					Duration < 38	0.002000	0.002000

Average outage duration (minutes)	=	Performance (Without Exclusions)	Performance (Exclusions)
Average outage duration (minutes)	=	128.550000	130.100000
S-Factor		-0.200000%	-0.200000%



NOTE: This sheet will automatically update based on data in input sheets

Blue cells show the TNSP's performance targets and weightings

Yellow/Green cells show the TNSP's performance formulae and related formula conditions based on performance targets and weightings

Pink cells show the TNSP's performance outcomes without any events excluded from performance data

Orange cells show the TNSP's performance outcomes with events excluded from performance data

ElectraNet - Revenue Calculation

<i>Revenue cap information</i>	
Base year allowed revenue	\$229,990,000
Base year	2008-09
X-factor	-5.93%
Commencement of regulatory period	01-Jul-08

<i>Annual revenue adjusted for CPI</i>	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
CPI	162.2	166.2	170.0	-	-	-

Nominal annual revenue	2008-09	2009-10	2010-11	2011-12	2012-13
Allowed Revenue	\$229,990,000	\$249,636,506	\$270,486,111		

<i>Calendar year revenue</i>	2008	2009	2010	2011	2012	2013
Revenue	\$114,995,000	\$239,813,253	\$260,061,308			

NOTE:

This sheet will automatically update based on data on input sheets.

Grey cells show calendar year revenue

Green cells are for formula

ElectraNet - Performance outcomes

Revenue calendar year

\$260,061,308

S	Performance parameter	Target	Performance without exclusions			Performance with exclusions			Impact of exclusions
			Performance	S-Factor	Final Incentive	Performance	S-Factor	Final Incentive	
S1	Total transmission circuit availability	99.47%	99.230000%	-0.194595%	-\$506,065	99.713000%	0.300000%	\$780,184	0.494595%
S2	Critical circuit availability – peak	99.24%	99.650000%	0.200000%	\$520,123	99.748000%	0.200000%	\$520,123	0.000000%
S3	Critical circuit availability – non-peak (zero weighting)	99.62%	99.490000%	0.000000%	\$0	99.490000%	0.000000%	\$0	0.000000%
S4	Loss of supply event frequency (>0.05 system minutes)	8	12	-0.100000%	-\$260,061	11	-0.100000%	-\$260,061	0.000000%
S5	Loss of supply event frequency (>0.2 system minutes)	4	7	-0.200000%	-\$520,123	6	-0.200000%	-\$520,123	0.000000%
S6	Average outage duration (minutes)	78	129	-0.200000%	-\$520,123	130	-0.200000%	-\$520,123	0.000000%
TOTALS				-0.494595%	-\$1,286,249		0.000000%	\$0	0.494595%

NOTE:

This sheet will automatically update based on data in input sheets.

Grey cell shows relevant calendar year revenue

Green cells show performance measure targets

Pink cells show performance, s-factor results and financial incentive without exclusions

Orange cells show performance, s-factor results and financial incentive with exclusions

Blue cells show the impact of exclusions on revenue

Aggregate outcome	
S-factor	0.000000%
Financial Incentive	\$0
Financial year affected by financial incentive	2011/12