

Our Ref: D12\46451
Contact Officer: Justin Butler
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23 April 2012

Simon Appleby
Senior Manager Regulatory Affairs
ElectraNet Pty Ltd
PO Box 7096
ADELAIDE, SA 5000

Dear Mr Appleby,

Re: Transmission service standards review for 2011

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of ElectraNet's performance against its transmission service standards incentive scheme for the 2011 calendar year.

In conducting the review, AER staff considered ElectraNet's revenue cap decision, dated April 2008, the *First Proposed Electricity Transmission Network Service Providers Service Target Performance Incentive Scheme*, published in January 2007, and ElectraNet's 2011 STPIS submission (submitted to the AER 3 February 2012).

In my letter of 23 December 2011, I noted the requirements of the *Final Electricity Transmission Network Service Providers Information Guidelines*, dated September 2007, to provide, where available, supporting documentation for each proposed exclusion event. AER staff note that ElectraNet supplied no supporting information for any of its exclusion events in its 3 February 2012 submission. I reiterate that supporting documentation must accompany ElectraNet's service standard submissions. Without this supporting documentation, I will be unable to endorse ElectraNet's proposed s-factors.

I note that two errors were identified in ElectraNet's 3 February 2011 submission. These related to the inclusion of force majeure events in the calculation of the s-factor and the calculation of the impact of 'capped outage' events. After correcting for these errors in accordance with ElectraNet's email of 16 April 2012, I endorse the service standards factor ("s-factor") applying to ElectraNet's service component of 0.320522 per cent for the 2011 calendar year. The application of this s-factor results in an additional amount of \$913,583 to ElectraNet's maximum allowed revenue for the 2012-13 financial year.

In relation to ElectraNet's market impact component, I note that ElectraNet's email correspondence, dated 5 April 2012, agrees that the performance measure should increase by 13 dispatch intervals as a result of the AER's review.

The AER has not accepted the exclusions associated with the S>SETX_SGKH constraint. In the correspondence dated 5 April 2012, ElectraNet stated:

“During the outage, whilst the constraint was violated, AEMO’s Real Time Contingency Analysis (RTCA) indicated the system was secure. AEMO did not alter the constraint in response to the signals being observed in the RTCA.

The network constraint was inconsistent with the network capability as advised by ElectraNet and modelled by the RTCA.

ElectraNet is seeking to have the constraint S>SETX_SETX_SGKH with effective date 24 May 2011, version number 1 excluded under clause 8b”

The AER considers that the RTCA serves a different purpose (it is used by AEMO as an additional tool to manage security, by modelling the impact to the power system in real time for the loss of specific pieces of equipment). The NEMDE system measures the market impact of outages - the RTCA does not. Accordingly, I endorse the market impact component s-factor of 0.5231 per cent. The application of this s-factor results in an additional amount of \$1,490,972 to ElectraNet’s maximum allowed revenue for the 2011-12 financial year.

Overall, ElectraNet’s total MAR adjustment for the 2011-12 financial year is \$2,404,555.

I would like to thank ElectraNet for its open and active participation in this year’s review process. Should you have any further enquiries please contact Justin Butler on (02)6243 1102.

Yours sincerely,



Chris Pattas
General Manager
Network Operations and Development