Transmission STPIS transitional approach

Regulatory Control Period: 1 July 2019 to 30 June 2024

Authorisations

Action	Name and title	Date
Prepared by	Sandra Thaow, Asset Performance Team Leader	19/01/2018
Reviewed by	Chantal Hopwood, Revenue & Price Regulation Team Leader	22/01/2018
Reviewed by	Tim Astley, NEM Strategy and Compliance Team Leader	22/01/2018
Authorised by	Nicole Eastoe, Leader Asset Strategy and Performance	30/01/2018

Responsibilities

This document is the responsibility of the Revenue Reset Team, Tasmanian Networks Pty Ltd, ABN 24 167 357 299 (hereafter referred to as "TasNetworks").

Enquiries regarding this document should be addressed to:

Revenue Reset Program Leader
PO Box 606
Moonah TAS 7009
Email: revenue.resets@tasnetworks.com.au

Table of Contents

1 Background

TasNetworks is currently preparing its regulatory submissions for the 2019-24 regulatory period. As part of our preparations, we have reviewed the operation of the Australian Energy Regulator's (AER's) Electricity Transmission Network Service Provider Service Target Performance Incentive Scheme Version 5 (STPIS) and propose two changes to the STPIS:

- the movement of service scheme performance measurement to a financial year basis; and
- a reduction in the loss of supply event frequency thresholds.

1.1 Common reporting periods for transmission and distribution

The STPIS currently requires that reporting of transmission service performance be undertaken on a calendar year basis, whereas our jurisdictional transmission service performance reporting to the Office of the Tasmanian Economic Regulator (OTTER) is undertaken on a financial year basis. Our distribution service performance reporting to the AER and OTTER is also undertaken on a financial year basis.

TasNetworks has identified efficiency benefits that would be realised from a common reporting timeframe for transmission and distribution service measures. The simplest and most efficient way to achieve this outcome is to report on transmission network service performance on a financial year basis.

Alignment of transmission service performance reporting obligations with our other performance reporting obligations will support a clearer framework to report service performance. Aligned period reporting will support improved customer engagement as we will be able to clearly articulate the linkages between transmission and distribution network service performance, costs and incentive outcomes.

1.2 Loss of supply event frequency thresholds

The service component of the STPIS has four parameters, one of which is loss of supply event frequency. This parameter has two thresholds for moderate and large events, known as 'x' and 'y'. For Tasmania, versions 4 and 5 of the transmission STPIS presently sets these as 0.1 and 1.0 system minutes respectively.

Our recent performance against these x and y thresholds has improved markedly, so much so that the target for the y threshold for the 2019-24 regulatory period would be 0.8 system minutes (based on the average of the last five years' performance).

A concern is that a target this low becomes binary in nature and merely provides an 'all or nothing' situation. This presents TasNetworks with limited scope to manage network service performance around such a target over time, and exposes customers to more volatile pricing outcomes due to the revenue at risk for each event. This does not align with customer feedback received as part of our Regulatory Proposal 2019-24 engagement program that stable and sustained low cost is important for future forecasting and viability.

Additional concerns are that the present thresholds do not provide sufficient positive incentive to improve and maintain network service performance as intended by the STPIS. Our customers told us through our 2019-24 Regulatory Proposal engagement program that although reliability is good, it needs to remain a key focus as there is greater risk to businesses if power is interrupted.

TasNetworks proposes to amend the x and y thresholds as set out in the STPIS from 0.1 and 1.0 system minutes to 0.05 and 0.4 system minutes. These amended performance targets will provide appropriate incentives to maintain and improve performance and are aligned with our customer expectations. There is precedent for such a change, with the present thresholds having been implemented by the AER some years ago, in light of improved Tasmanian transmission service performance at that time.

2 Transitional Approach

Appendix D of version 5 of the transmission STPIS outlines the mechanism for adjustments to the maximum allowed revenue where performance is measured over part of a calendar year because a transmission network service provider becomes subject to the scheme at the commencement of a financial year.

We propose to use Appendix D of the STPIS to facilitate the transition from calendar year to financial year. Table 1 outlines our proposed transition approach and Table 2 outlines the proposed service component targets of the STPIS for the period 1-Jan-19 to 30-Jun-19.

TasNetworks has received limited feedback regarding our proposed changes to STPIS during our customer consultation. Further engagement on our transitional approach and potential revenue and pricing impacts will be conducted over the next six months.

Table 1: TasNetworks STPIS transition

<table>
<tr><th>Revenue period</th><th>Performance reporting period</th><th>Percentage of allowed revenue factored into incentive calculation</th><th>STPIS targets</th></tr>
<tr><td>2015-16</td><td>2014</td><td rowspan="5">100%</td><td rowspan="5">As defined in the 2014-19 determination</td></tr>
<tr><td>2016-17</td><td>2015</td></tr>
<tr><td>2017-18</td><td>2016</td></tr>
<tr><td>2018-19</td><td>2017</td></tr>
<tr><td>2019-20</td><td>2018</td></tr>
<tr><td>2020-21</td><td>1-Jan-19 to 30-Jun-19</td><td>50%</td><td>50% of targets defined in 2014-19 determination or as determined by the STPIS (market impact component and network capability component)</td></tr>
<tr><td>2021-22</td><td>2019-20</td><td rowspan="3">100%</td><td rowspan="3">As defined by 2019-24 determination</td></tr>
<tr><td>2022-23</td><td>2020-21</td></tr>
<tr><td>2023-24</td><td>2021-22</td></tr>
</table>

Table 2: Proposed service component targets

	2014-19 period			1-Jan-19 to 30-Jun-19			2019-24 period		
Parameter	Collar	Target	Cap	Collar	Target	Cap	Collar	Target	Cap
Average circuit outage rate									
Line outage – fault	64.59	31.17	13.39	32.30	15.59	6.70	35.00	23.00	11.00
Transformer outage – fault	17.28	11.60	7.03	8.64	5.80	3.52	14.00	10.00	6.00
Reactive plant – fault	9.99	3.33	0.17	5.00	1.67	0.09	23.00	13.00	3.00
Line outage – forced outage	17.62	9.99	2.67	8.81	5.00	1.34	13.00	9.00	5.00
Transformer outage – forced outage	4.37	2.82	1.28	2.19	1.41	0.64	15.00	10.00	5.00
Reactive plant – forced outage	32.82	14.00	1.07	16.41	7.00	0.54	76.00	38.00	0.00

	2014-19 period			1-Jan-19 to 30-Jun-19			2019-24 period		
Parameter	Collar	Target	Cap	Collar	Target	Cap	Collar	Target	Cap
Loss of supply event frequency									
x >0.1 system minutes	11	10	8	6	5	4			
y >1.0 system minutes	5	3	0	3	2	0			
x >0.05 system minutes							14	7	0
y >0.4 system minutes							4	2	0
Average outage duration									
Average outage duration	169.76	111.52	63.99	84.88	55.76	32.00	200.00	120.00	40.00
Proper operation of equipment									
Failure of protection system	14	9	5	7	5	3	8	5	2
Material failure of SCADA	25	8	0	13	4	0	4	3	2
Incorrect operational isolation of primary or secondary equipment	8	4	1	4	2	0	12	8	4