24 February 2017

Mr. David Chan
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted at david.chan@aer.gov.au

Dear Mr Chan

RE: Service Target Performance Incentive Scheme - 2017 amendment

Tasmanian Networks Pty Ltd (**TasNetworks**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AERs**) Issues Paper reviewing the Service Target Performance Incentive Scheme (**STPIS**).

We are a Network Service Provider providing transmission and distribution network services to more than 280,000 end-use customers throughout Tasmania. This overall scheme will have a direct impact on how we are incentivised to manage reliability outcomes for our customers.

TasNetworks has contributed to and broadly supports the positions put forward in the Energy Networks Australia (**ENA**) submission. In addition to the recommendations in the ENA submission, TasNetworks would like to make further comments on several matters specifically pertaining to the Tasmanian context.

Question 1: Do you consider that improved standardisation would increase the effectiveness of STPIS?

TasNetworks believes there are number of areas in the current STPIS framework that would benefit from greater clarity of definition and approach. In particular:

- Clarification on outage causes which can be excluded under the STPIS framework, including flood, bushfire, house fires, customer installation faults and de-energisation of the customer for safety reasons.
- An approach for determining how system events which have multiple outages (some as part of the restoration,) are treated in regards to SAIFI and SAIDI. Providing examples of how different scenarios should be handled would be particularly beneficial i.e. operation of automatic circuit reclosers.
- An approach for calculating SAIDI where the initial outage is caused by the network, but the customer's premises is not safe to reconnect, and must remain de-energised until an electrical contractor provides approval for reconnection.

TasNetworks supports improvements to data integrity to ensure outcomes and intentions under the STPIS scheme accurately reflect actual DNSP service performance.

Question 9: The AER would like views on the current definitions of the feeder classifications.

TasNetworks currently measures its reliability primarily on geographic classification basis and provides reporting on feeder performance within the AER's Regulatory Information Notices (**RINs**) for information only.

As a result, TasNetworks currently manages network reliability performance through geographic segmentation of customers to meet jurisdictional compliance requirements and achieve strategic STPIS objectives.

A transition from a geographic based approach to a feeder based approach for these reporting requirements would result in reclassification of a significant number of our customers. TasNetworks is concerned that the new methodology will result in:

- Reclassification of customers from a classification with a higher reliability standard to that of a lower reliability standard. These customers may see a decline in service performance as we reprioritise our expenditure towards non-compliant customers as a result of reclassification.
- Reclassification of customers from a lower reliability standard to that of a higher reliability standard. This may drive us to invest in reclassified areas of the network to meet higher performance standards, even though customers may not expect improvements in reliability performance.

Tasmania has one of the most regionally dispersed populations in Australia meaningthat many of our feeders cross multiple geographic boundaries, and have very low load densities. We believe the definition of reliability standards based on the average load density of a feeder does not provide for appropriate classification of customers.

TasNetworks supports the ENA's position on uniform feeder classification across the NEM for reporting and information purposes only, but does not support the transition to feeder based performance for its STPIS and jurisdictional reliability reporting for the Tasmanian jurisdiction. We believe that the current geographical classification approach provides the best representation of customer expectations of reliability.

Question 21: *We would like views on the current approach for s-factor calculations. Specifically, should and how the calculation of s-factor be simplified?*
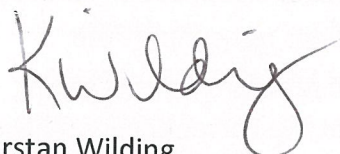
S-Factor Calculation

TasNetworks supports a simplified approach to capping performance in the reliability of supply and customer service components. TasNetworks preferred approach is to make the S-Factor contributions for the reliability of supply component independent from the customer service component. This approach is consistent with the transmission STPIS scheme, which considers the Service Component and the Market Impact Component separately. This would create greater transparency and clarity in the reward/penalty received by the business for the performance of each parameter.

Lagging call answering and MEDs

TasNetworks notes that excluding Major Event Days (MEDs) in the calculation of the telephone answering parameter does not necessarily align with the intent of the MED exclusion process. TasNetworks suggests one approach that could be explored in more detail is the definition of call service performance MEDs separate to reliability of supply MEDs. This would ensure performance outside a DNSPs ability to influence does not have an unfair detrimental impact on network service performance outcomes. TasNetworks believes that this approach would achieve better alignment with the intent of the scheme - to provide signals to the DNSP to manage and improve telephone answering performance that is within their control.

If you have any questions or require further information in relation to the matters raised above, please contact me on (03) 6271 6696 or at kirstan.wilding@tasnetworks.com.au

Yours Sincerely

Kirstan Wilding
Leader Regulation