

Our Ref: D12/45805



16 October 2012

Chris Pattas
General Manager
Network Operations and Development Branch

by email: AERinquiry@aer.gov.au

Dear Chris

Transend response to Service Target Performance Incentive Scheme (STPIS)

Thank you for the opportunity to provide comment on the Draft *Service Target Performance Incentive Scheme (September 2011)*. Transend has contributed to a submission by Grid Australia on this matter. Transend provides the following supporting observations, reflecting Transend's experience as the transmission network service provider (TNSP) in Tasmania.

The Tasmanian transmission system is a weakly meshed system operating to lower voltages than other regions, with a small number of large directly connected industrial customers and a geographically dispersed distribution network customer load. Hydro Tasmania is the dominant generator, with a number of hydro-electric generators across the state, and the region is connected to the rest of the NEM via Basslink, a market network service provider. The Tasmanian electricity sector is presently undergoing review, with new structural arrangements and regulation of the wholesale energy contract market proposed by the Tasmanian Government.

Transend understands that the AER is aiming to develop a standard service target performance incentive scheme across all NEM regions. However, Transend strongly encourages the AER to allow some tailoring of the scheme to reflect the different characteristics of load, generation and the transmission system in each region.

In particular, Transend is concerned that the AER's proposed service component includes a range of overlapping measures, and supporting standardised weightings, that may not reflect the outcomes most valued by Transend's customers. Therefore, as noted in the Grid Australia submission, it is recommended that the scheme be amended to allow parameter and sub-parameter weightings to vary between TNSPs, including allowing some parameters and/or sub-parameters to have a weighting of zero, where this better reflects customer value. This would focus service incentives on those parameters and sub-parameters that provide most customer value.

Transend also encourages the AER to consider opportunities to simplify the network capability component design, in consultation with affected stakeholders.

Transend welcomes the opportunity for further discussion with the AER regarding these matters. I may be contacted on (03) 6274 3909.

Yours sincerely

A handwritten signature in black ink that reads "Bess Clark". The signature is written in a cursive style with a large, circular flourish around the first "B".

Bess Clark
Executive Manager Corporate Strategy and Compliance