

Our Ref: D07/56209



26 September 2007

Ms Donella Greer
A/General Manager Network Regulation North
Australian Energy Regulator

by email: Donella.Greer@accc.gov.au

Dear Donella

Electricity Transmission Network Service Providers - Service Target Performance Incentive Scheme

As discussed with the Australian Energy Regulator (AER), Transend is proposing minor changes to the Service Target Performance Incentive Scheme ('STPIS'), released by the AER in August 2007, to define appropriate parameters applicable to Transend's next revenue determination period. Transend's proposal is in respect to the Transend-specific section of the STPIS, namely Appendix B, Part 3 – Transend.

Transend proposes changes to its current STPIS as follows:

Parameter 1 - Transmission Line Circuit Availability

Split the transmission line circuit availability sub parameter into transmission line circuit availability (critical circuits) and transmission line circuit availability (non-critical circuits)

Include minor amendments to the parameter inclusions and exclusions.

Parameter 2 – Loss of Supply Event Frequency

Lower the threshold for the second sub-parameter from 2.0 system minutes to 1.0 system minute.

Include minor amendments to the parameter inclusions and exclusions.

The rationale for the changes is outlined in the attached report from Transend's consultant SKM. The modified parameter definitions are included as an appendix to this letter.

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Consistent with the STPIS, Transend's proposed exclusion definitions use the term 'unregulated' transmission assets. Following the NER definitions, Transend defines this term as equivalent to non-prescribed transmission assets.

As discussed with the AER, Transend may review the proposed changes to Parameter 1 if a Market Impact of Transmission Congestion (MITC) measure is to be introduced for Transend in the next revenue determination period.

Transend welcomes the opportunity for further discussion with the AER to progress this matter. I may be contacted on telephone (03) 6274 3909.

Yours sincerely

[by email]

Bess Clark

Executive Manager Revenue Regulation

cc – Paul Dunn

APPENDIX

Parameter 1 Transmission Circuit Availability

This definition applies instead of the standard definition

Sub Parameters Transmission line circuit availability (critical circuits)
 Transmission line circuit availability (non-critical circuits)
 Transformer circuit availability

Unit of Measure Percentage of total possible hours available

Source of data Transend transmission performance reporting system

Definition/formula Formula:

$$\frac{\text{Number of hours per annum circuits are available}}{\text{Total possible number of defined circuit hours}} * 100$$

Definition: The actual circuit hours available for defined transmission circuits divided by the total possible defined circuit hours available.

Inclusions Circuits include overhead lines, underground cables and power transformers.
 Circuit outages from all causes including planned, forced and emergency events, including extreme events.

Exclusions Unregulated transmission assets.
 Dedicated connection assets that supply a customer who has negotiated a higher (or lower) level of service required by the Rules, where that customer has agreed to the cost (or discount) for that higher (or lower) level of service.
 Circuit outages shown to be caused by a 3rd party e.g. intertrip signal, generator outage (including coincident outages), fire services direction, customer installation, customer request or NEMMCO direction.
 Force majeure events.

Parameter 2 Loss of supply event frequency

This definition applies instead of the standard definition

Sub Parameters	Frequency of events where loss of supply exceeds 0.1 system minute Frequency of events where loss of supply exceeds 1.0 system minute
Unit of Measure	Number of events per annum
Source of data	Transend transmission performance reporting system
Definition/formula	Number of events greater than 0.1 system minute per annum Number of events greater than 1.0 system minute per annum System minutes are calculated for each supply interruption by the “Load Integration Method” using the following formula:

$$\frac{\Sigma (\text{MWh unsupplied} \times 60)}{\text{MW peak demand}}$$

where:

MWh unsupplied is the energy not supplied as determined by using NEM metering and substation load data. This data is used to estimate the profile of the load over the period of the interruption by reference to historical load data.

Period of the interruption starts when a loss of supply occurs and ends when Transend offers supply restoration to the customer.

MW peak demand means the maximum amount of aggregated electricity demand recorded at entry points to the Transend transmission network and interconnector connection points during the financial year in which the event occurs or at any time previously.

The performance parameter applies to exit points only.

Interruptions affecting multiple connection points at exactly the same time are aggregated (i.e. system minutes are calculated on the basis of events rather than connection point interruptions).

Inclusions All unplanned outages exceeding the specified impact.

Unplanned outages on all parts of the regulated transmission system.

Extreme events.

Exclusions Unregulated transmission assets.

Dedicated connection assets that supply a customer who has negotiated a higher (or lower) level of service required by the Rules, where that customer has agreed to the cost (or discount) for that higher (or lower) level of service.

Outages shown to be caused by a fault or other event on a 3rd party e.g. intertrip signal, generator outage, fire services direction, customer installation, customer request or NEMMCO direction.

Planned outages.

Force majeure events.