

Mr Tom Leuner
General Manager, Wholesale Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

SYDNEY
201 Elizabeth Street
PO Box A1000 Sydney South
NSW 1235 Australia
T (02) 9284 3000
F (02) 9284 3456
www.transgrid.com.au

Dear Mr Leuner,

Draft Decision – Early Application of Service Target Performance Incentive Scheme

On 14 August 2013 the AER published a draft decision on early application of version 4 of the Electricity Transmission Service Target Performance Incentive Scheme (STPIS). The draft decision proposes an approach to the application of the STPIS to TransGrid during its transitional year.

In TransGrid's view, the approach proposed in the draft decision is pragmatic and provides clarity on the performance incentives that will apply to TransGrid in the transitional year. TransGrid considers that the draft decision provides a suitable transitional approach to the STPIS.

The draft decision requests confirmation that TransGrid is able to meet the timeframe for lodgement of a Network Capability Improvement Parameter Action Plan (NCIPAP) with its transitional revenue proposal in January 2014. TransGrid is currently working with AEMO on the preparation of its NCIPAP, on a schedule to complete the plan to lodge with the transitional revenue proposal. TransGrid confirms it can provide AEMO with an advanced version of its capital expenditure portfolio, and that projects in the NCIPAP will be excluded from the capital and operating expenditure forecasts in the revenue proposal.

Should you have any questions on these matters, please feel free to contact Andrew Kingsmill, Regulatory Expenditure Manager, on (02) 9284-3149.

Yours faithfully,



Anthony Meehan
Executive General Manager/Revenue Strategy & Business Diversification

25/9/13