

Our Ref: S2004/174
Contact Officer: Matthew McQuarrie
Contact Phone: (02) 9230 9111

28 April 2005

Mr George Maltabarow
Acting Managing Director
EnergyAustralia
Level 9, 570 George Street
SYDNEY NSW 2000

Dear Mr Maltabarow

Application of the performance incentive scheme for 2004

I write in relation to EnergyAustralia's service standards incentive to be included in the calculation of EnergyAustralia's maximum allowed revenue (MAR) for the financial year 2005–06.

The ACCC engaged Sinclair Knight Merz (SKM) to audit and report on EnergyAustralia's performance results for 1 July 2004 to 31 December 2004. This report has been forwarded to EnergyAustralia.

The performance incentives scheme aims to encourage transmission network service providers, such as EnergyAustralia, to continually improve service standards through efficiency gains. I am pleased to note EnergyAustralia's favourable performance in this, its first, service standards review.

Within the performance incentive report EnergyAustralia applied for four exclusions relating to extended outage events greater than 14 days. These exclusions were allowed. In future we expect that EnergyAustralia will cap all such circuit availability outage events at 14 days.

During the service standards audit SKM noted the present difficulties with EnergyAustralia's performance data systems. SKM found the service standards reporting systems employed by EnergyAustralia to be largely manual, were vulnerable to human error and were not tailored to the needs of service standards reporting. The ACCC looks forward to the further development of these data systems by EnergyAustralia as it adjusts to the needs of service standards reporting.

The ACCC believes an increase of \$456,350 for EnergyAustralia's revenue in 2005–06 will comply with its draft revenue cap decision. This is the maximum result available to EnergyAustralia within the performance incentive report. In reaching this conclusion the ACCC considered EnergyAustralia's draft revenue cap decision, the ACCC's service standards guidelines, SKM's consultation and EnergyAustralia's report on service standards.

I would like to thank EnergyAustralia for the cooperation that it has extended to the ACCC in implementing the service standards regime.

Should you have any further enquiries please call Matthew McQuarrie (02) 9230 9111 or Elizabeth Wood (02) 9230 9184.

Yours sincerely

Ed Willett
Commissioner