



Australian Competition & Consumer Commission

PO Box 1199
Dickson ACT 2602
470 Northbourne Ave
Dickson ACT 2602
Australia

Contact Officer: Sabesh Shivasabesan
Contact Phone: 02 6243 1286

Ph (02) 6243 1123
Fax (02) 6243 1122

17 May 2004

Mr Nino Ficca
Managing Director
SPI PowerNet Ltd
PO Box 222
Collins St. West VIC 8007

Attention: Mr Tom Hallam

Dear Mr Ficca

Application of the service standards incentive scheme for 2003

I write to inform you of the SPI PowerNet's service standards incentive to be included in the calculation of its maximum allowed revenue (MAR) for the financial year 2004-05.

The ACCC engaged Sinclair Knight Merz (SKM) to audit and report on SPI's performance results for the calendar year 2003. This report has been submitted to you. I am pleased to note that SKM had made several favourable comments about SPI's reporting of service standards, especially regarding the development of reporting systems incorporating the new requirements.

I also commend the open and transparent process your company adopted in dealing with SKM and the ACCC. Your cooperation in the early stages of implementing the service standards regime is much appreciated by the ACCC.

As discussed with your staff, the ACCC has accepted SKM's recommendation. Accordingly the ACCC considers that a reduction of \$75,037 for SPI's revenue cap for 2004-05 will comply with its revenue cap decision¹. In reaching this conclusion the ACCC considered the revenue cap decision, service standards guidelines², SKM's report and SPI PowerNet's communications.

I also note that overall the service quality of SPI had improved during 2003. However the small penalty was incurred owing to one particular item — an outage due the faulty transformer in the Dederang Terminal Station. I understand this was mainly due to the fault

¹ ACCC, *Victorian transmission network revenue caps 2003-2008*, 11 December 2002

² ACCC, *Statement of principles for the regulation of transmission revenues Service standards guidelines*, 12 November 2003



of SPI's contractor who was engaged prior to the service standards regime. SPI requested that this item be excluded for this time only in calculating the incentive.

Although the ACCC sympathises with SPI's position it notes that there is no provision in the guidelines to exclude this incident. Therefore, the ACCC agrees with SKM's recommendation that this event should not be excluded from the scheme. The impact of this on the maximum allowed revenue is around \$270,000. Had this item been excluded the bonus under the scheme would have been around \$200,000.

Once again I would like to thank SPI for the cooperation extended to the ACCC in implementing the service standards regime.

Should you have any enquiries please call Sabesh Shivasabesan on (02) 6243 1286 or Matthew McQuarrie on (02) 9230 9111.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Martin', with a large, sweeping flourish extending from the bottom left.

John Martin
Commissioner