

Our Ref: 26266
Contact Officer: Dan Barclay
Contact Phone: (02) 6243 1286

24 April 2007

Mr Rainer Korte
NEM Development and Regulation Manager
ElectraNet
PO Box 7096
Hutt Street Post Office
ADELAIDE SA 5000

By email: Korte.Rainer@electranet.com.au

Dear Mr Korte,

RE: Transmission service standards compliance review for 2006

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of ElectraNet's performance for the 2006 calendar year under the service standards incentive scheme.

In conducting its review, the AER considered ElectraNet's revenue cap decision (11 December 2002), ElectraNet's service standards performance report (2 February 2007), the AER's service standards guidelines (12 November 2003) and Sinclair Knight Merz's consultancy report (9 March 2007).

After conducting a review of ElectraNet's performance report for 2006, the AER endorses ElectraNet using a service standards factor (s-factor) of 0.5922 percent for the 2006 calendar year and consequently adding a bonus amount of \$1,028,373 to apply to its maximum allowed revenue (MAR) for the financial year 2007-08.

AER staff have found during the review this year that the Murraylink and Directlink interconnectors have had some difficulty in substantiating third party outages (for example "run backs"). In particular it appears that these types of outages are not included in the service standards information provided by neighbouring TNSPs because they are not necessarily considered an outage for service standards reporting purposes by those TNSPs.

The AER is interested in discussing this issue with the interconnectors and the TNSPs that neighbour their networks. This is to determine whether the neighbouring TNSPs can assist Murraylink and Directlink in providing information which can substantiate the cause of these outages. AER staff will contact the relevant businesses to discuss this issue in the coming weeks.

The AER would like to thank ElectraNet for their open and active participation throughout this year's review process in particular for allowing AER staff to gain a greater understanding of the audit process. Should you have any further queries please contact Dan Barclay on (02) 6243 1286.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mike Buckley". The signature is written in a cursive style with a large, looping initial "M".

Mike Buckley
General Manager
Network Regulation North Branch