

Our Ref: C2005/2020  
Contact Officer: Liz Wood  
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25 July 2006

Mr Geoff Lilliss  
General Manager Network  
EnergyAustralia  
PO Box 487  
NEWCASTLE NSW 2287

Dear Mr Lilliss

### **Service standards review for 2005**

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) reconsideration of EnergyAustralia's revised performance report of 17 February 2006 for its 2005 Service Standards review.

EnergyAustralia proposed a service standards factor (s-factor) of 0.6717 percent for the 2005 calendar year, and a financial incentive adjustment of \$637,577 to its maximum allowed revenue (MAR) for the financial year 2006-07.

The AER agrees that EnergyAustralia can apply the above s-factor result for the 2005 calendar year. The AER's assessment is based on the 8 June 2006 audit report prepared for EnergyAustralia by Sinclair Knight Merz's (SKM). The AER's calculates that this results in a financial incentive of \$639 460 to be included in EnergyAustralia's MAR for 2006-07.

The difference between EnergyAustralia and the AER's proposed financial incentive is due to the AER's practice of adjusting the annual revenue used in calculating the service standards financial incentive for actual inflation in the relevant period.

The AER also notes that SKM recommended a number of changes to EnergyAustralia's reporting systems to improve the accuracy and reliability of future reports pending the introduction of a fully integrated reporting system in July 2008, EnergyAustralia has now developed a workplan to implement these and other short-term measures to improve the accuracy and reliability of EnergyAustralia's reporting systems. The AER welcomes EnergyAustralia's action to date in relation to this matter and anticipates that following full

implementation of SKM's recommendations future service standards performance reports will be based on accurate, reliable and auditable data.

In relation to broader issues regarding the annual service standards compliance review, the AER will introduce a standardised reporting template for the 2006 compliance review. The template aims to increase the efficiency and thus timeliness of the AER's consideration of these matters. Staff will be consulting EnergyAustralia and other TNSPs on the content of these templates.

Should you have any further enquiries in relation to this matter please contact Ms Liz Wood (02) 9230 9109.

Yours sincerely



Mike Buckley  
General Manager  
Network Regulation North