

28 April 2008

Mr Stuart Dodds
Operations Manager Power Transmission
APA Group
PO Box 6569
UPPER MOUNT GRAVATT QLD 4122

Dear Mr Dodds,

Re: Transmission service standards review for 2007

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of Murraylink's performance for the 2007 calendar year under the service standards incentive scheme.

In conducting the review, AER staff considered Murraylink's revenue cap decision (1 October 2003), and the service standards guidelines (12 November 2003) along with Murraylink's performance report for 2007 (7 February 2008) and its revised performance report submitted on 21 April 2008.

After conducting a review of Murraylink's final performance report for 2007, I have no objection to Murraylink using a service standards factor (s-factor) of -0.315% for the 2007 calendar year, and consequently receiving a penalty of \$40,449 deducted from its maximum allowed revenue (MAR) for the financial year 2008-09.

In Murraylink's original performance report submitted on 7 February 2008, an exclusion based on force majeure for an outage caused by a phase reactor fire in January 2007 was claimed. Based on the information provided by Murraylink, AER staff do not consider that the circumstances surrounding this outage are consistent with the definition of force majeure. Accordingly, AER staff requested Murraylink to resubmit its performance report without this exclusion.

In its performance report Murraylink claimed exclusions for outages relating to runbacks. AER staff requested additional information from Murraylink to support its claim for these exclusions. Murraylink was unable to provide this information. The additional information was sought from and provided by ElectraNet and SP AusNet. I note that following the 2006 review, AER staff held discussions with staff from Murraylink and the TNSPs either side of the interconnector to facilitate information transfer between each party. While Murraylink is not required to provide evidence of proposed exclusions when it submits its compliance

either AER staff and/or the AER's consultants. The onus is on Murraylink to provide sufficient information to satisfy AER staff and/or its consultants as to the veracity of its proposed exclusions.

In notifying Murraylink of the outcome of last year's service standards compliance review the AER incorrectly advised that an s-factor of 0.179 per cent should apply, resulting in a bonus of \$22,645. The correct s-factor for the 2006 compliance review was 0.212 per cent resulting in a bonus of \$26,762. Therefore Murraylink may recover the outstanding amount of \$4,117 in the 2008-09 financial year. Adjusting for this Murraylink's penalty should be reduced to \$36,332 deducted from its MAR for the 2008-09 financial year.

I would like to thank Murraylink staff for their participation in this year's audit process. Should you have any further enquiries please contact Luke Stevens on (03) 9290 6927.

Yours sincerely,



Chris Pattas
General Manager
Network Regulation South