

GPO Box 520
Melbourne VIC 3001
Telephone: (03) 9290 1444
Facsimile: (03) 9663 3699
www.aer.gov.au

Our Ref: C2005/2020
Contact Officer: Liz Wood
Contact Phone: 9230 9109

3 May 2006

Mr François Roberge
General Manager
CEO Murraylink
Level 11, 77 Eagle Street
Brisbane, QLD

Dear Mr Roberge

Service standards review for 2005

I write to inform you of the outcome of the Australian Energy Regulator's (AER) review of Murraylink's performance against its service standards incentive scheme for the 2005 calendar year.

In its performance report of 31 January 2006, Murraylink proposed a service standards factor (s factor) of 0.154423 per cent for the 2005 calendar year, and a financial incentive reduction of \$19 327 to its maximum allowed revenue (MAR) for the financial year 2006-07.

The AER has no objection to the s factor of 0.154423 per cent for the 2005 calendar year proposed by Murraylink. By our calculations, this results in a financial penalty of \$19 600 to be deducted from Murraylink's MAR for 2006-07.

In coming to this view, the AER considered Murraylink's revenue cap decision (1 October 2003), Murraylink's performance report for 2005 (31 January 2006), the AER's Service Standards Guidelines (12 November 2003) and Sinclair Knight Merz's report (21 March 2006).

The AER recognises that a minor discrepancy exists between the financial incentive proposed by the AER and that proposed by Murraylink. This difference is due to the AER's practice of adjusting the annual revenue used in calculating the service standards financial incentive for actual inflation which is aligned to the period concerned. This is distinct from the practice of using lagged inflation data from the immediately preceding March to March period.

The financial incentive adjustment to the MAR for 2006-07 calculated by the AER uses the consumer price index (CPI) data released on 26 April 2006 by the Australian Bureau of Statistics.

In relation to broader issues regarding the annual service standards compliance audit, due to the tight timeframes of this annual process the AER is considering introducing a standardised reporting template. The template aims to increase the efficiency and thus timeliness of the AER's consideration of these matters. Staff will be consulting Murraylink and other TNSPs on the content of these templates.

The AER would like to thank Murraylink staff for their open and active participation throughout this year's review process. Should you have any further enquiries please call Ms Liz Wood (02) 9230 9109.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Roberts', with a stylized flourish at the end.

Sebastian Roberts
General Manager
Network Regulation South