

28 April 2008

Mr Mike Hunnibell
Executive Manager, Revenue Regulation
Transend Networks Pty Ltd
PO Box 606
MOONAH TAS 7009

Dear Mr ~~Hunnibell~~ ^{Mike},

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 Transend's performance against its transmission service standards incentive scheme for the 2007 calendar year.

In conducting the review, AER staff considered Transend's performance report for 2007 (7 February 2007), Transend's revised performance report submitted to the AER on 14 April 2008 (which reflected the correction of errors discovered by the AER in Transend's service standards report), the Tasmanian transmission network revenue cap 2004-2008/09 decision (10 December 2003) and the AER's service standards guidelines (12 November 2003).

After conducting a review of Transend's performance report for 2007, I have no objection to Transend using a service standards factor (s-factor) of 0.5625% for the 2007 calendar year, and consequently adding an incentive amount of \$707,604 to its maximum allowed revenue (MAR) for the financial year 2008-09.

AER staff considered Transend's proposal to exclude outage events caused by the lightning strike on 22 February that affected Tasmania's west coast power supply. Staff have concluded this event should be categorised as a force majeure outage instead of a third party outage.

I would like to thank Transend staff for their open and active 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