

23 April 2008

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Ms Bess Clark
Executive Manager Revenue Regulation
Transend Networks Pty Ltd
PO Box 606
MOONAH TAS 7009

Dear Ms Clark,

Re: Transmission service standards review for 2008

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 2008 calendar year.

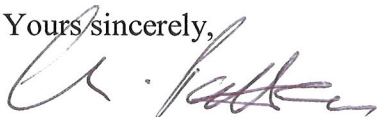
In conducting the review, AER staff considered Transend's performance report and template for 2008 (submitted to the AER 2 February 2009), Transend's revised templates submitted to the AER on 2 April 2009 and 16 April 2009 (which reflected the correction of errors discovered by the AER and Transend), 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 2008, I have no objection to Transend using a service standards factor (s-factor) of 0.8500% for the 2008 calendar year, and consequently adding an incentive amount of \$1,151,240 to its maximum allowed revenue for the financial year 2009-10.

During the review, it was noted that a number of outages were incorrectly proposed to be excluded from Transend's 2008 performance. The errors identified were either incorrectly recorded in Transend's Plant Restriction and Outage Management System (PROMS) or incorrectly recorded in the service standards compliance reporting template and/or supporting documentation submitted to the AER. I am concerned about the accuracy of Transend's service standards compliance report and suggest that Transend review its processes in recording data relevant to the service standards compliance review.

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 Israel del Mundo on (03) 9290 6935.

Yours sincerely,



Chris Pattas
General Manager
Network Regulation South