

Our Ref: D2011-00197184  
Contact Officer: Luke Stevens  
Contact Phone: (03) 9290 1485

20 April 2011

Mr Peter McIntyre  
Managing Director  
TransGrid  
PO Box 87  
HORSELY PARK NSW 2175

Dear Mr McIntyre,

**Re: Transmission service standards review for 2010**

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of TransGrid's performance against its transmission service standards incentive scheme for the 2010 calendar year.

In conducting the review, AER staff considered TransGrid's revenue cap decision, dated 28 April 2009, the *Final Electricity Transmission Service Providers Service Target Performance Incentive Scheme*, published in March 2008, and TransGrid's performance report for 2010 (submitted to the AER 31 January 2011).

TransGrid's original submission applied a service standards factor ("s-factor") of -0.239486 per cent for the 2010 calendar year. In responding to the AER's queries, TransGrid identified an error in the application of an exclusion event. TransGrid resubmitted its compliance template to correct for this error in the service component.

After conducting the review of TransGrid's transmission service performance, I endorse the service standards factor ("s-factor") applying to TransGrid's service component of -0.244171 per cent for the 2010 calendar year. The application of this s-factor results in a reduction of \$1,728,183 to TransGrid's maximum allowed revenue for the 2011-12 financial year.

In relation to TransGrid's market impact component, I note that TransGrid's email correspondence, dated 20 April 2011, acknowledges that the performance measure increased by 18 dispatch intervals as a result of the AER's review. Accordingly, I endorse the market impact component s-factor of 1.453973 per cent. The application of this s-factor results in an additional amount of \$10,290,857 to TransGrid's maximum allowed revenue for the 2011-12 financial year.

Overall, TransGrid's MAR adjustment for the 2011-12 financial year is \$8,562,674.

I would like to thank TransGrid for its open and active participation in this year's audit process. Should you have any further enquiries please contact Luke Stevens on (03) 9290 1485.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Pattas', written in a cursive style.

Chris Pattas  
General Manager