

Our Ref: 41104-D14/58233  
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Stephen Clark  
Executive General Manager/Network Planning and Performance  
TransGrid  
201 Elizabeth Street  
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Dear Stephen

### **Transmission service standards review for 2013**

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 2013 calendar year.

TransGrid submitted a total bonus of \$9 467 100 comprising:

- s-factors of -0.5300 for the service component (penalty -\$4 762 995)
- s-factor of 1.5835 for the market impact component (bonus \$14 230 095).

Our review showed that the financial incentive should be \$8 730 799 (\$748 883 less) because we did not accept a Loss of Supply (LOS) exclusion claim for the service component (\$748 883) and made some adjustments for data issues within the market impact component (increase \$12 582).

In the service component, there were two areas where we made adjustment to TransGrid's submission: unsubstantiated third party outages and LOS, however only the LOS exclusion had a financial impact.

#### *Third party outages*

We did not accept three exclusion claims for third party outages (clause 3). TransGrid's claim for exclusion was for outages that had been requested for a defined period of time, but extended for long periods of time. In each case, we accepted the initial outage period was requested by a third party and met the exclusion clause 3, but we did not accept the extension period met the requirements of the scheme. The total extension period was 83 hours and related to the circuit availability parameter (specifically to the S1 and S3 sub-parameters). Our adjustment to remove the unsubstantiated exclusions had no effect on the financial outcome because TransGrid's performance was below the collar, with or without this adjustment, for these sub-parameters.

#### *Loss of supply*

TransGrid claimed that one force majeure event led to a LOS exclusion for a loss of load in the Narrabri area on 13 January 2013, in which 18MW of load was lost for 2 hours and 44 minutes. The financial impact of this exclusion is \$748 883. We did not accept this exclusion claim.

Load at Narrabri is supplied through three lines: 96M Narrabri-Moree, 9U3 Gunnedah-Narrabri and 968 Tamworth-Narrabri. In the evening of Sunday 13 January 2013 at 18:02 hours, the 9U3 Gunnedah-Narrabri transmission line tripped, and at 18:11, the 968 Tamworth-Narrabri transmission line also tripped. These lines suffered the failure of five pole structures in one location close to Narrabri and one further structure approximately 20km away due to extreme weather conditions. 96M Narrabri to Moree transmission line subsequently tripped at 18:34 as the storm travelled beyond Narrabri, disconnecting Narrabri from the transmission network. 96M was successfully returned to service at 20:04, allowing Narrabri load to be restored.

The loss of supply to Narrabri occurred at 18:34 when the 96M line tripped twice within 30 seconds. The first trip was transient and the control systems successfully auto-reclosed the line. TransGrid's standard practise is to not attempt further energisation when a second trip occurs within 35 seconds of a successful auto reclose. In such circumstances the line will not be re-energised until a full inspection of the line is completed. All operations of the protection systems on 96M operated as designed. These faults were transient and there was no asset damage to line 96M.

Appendix E of the STPIS lists the factors the AER will consider when determining whether a force majeure event should be excluded. The first factor is whether 'the event was unforeseeable and its impact extraordinary, uncontrollable and not manageable'. We accept that the severity of the localised storm that damaged equipment on the 9U3 and 968 lines may meet this definition, however this does not apply to the loss of line 96M which was caused by two transient faults and in which the control system operated as designed. In particular, TransGrid provided no evidence that the extreme wind conditions extended to line 96M, nor that the conditions in line 96M exceeded its network planning design. Inspections of 96M identified no damage to this line. Further, TransGrid provided an investigation committee report which showed that there were improvements that the TNSP could have made. The report showed that the wood pole structures had deteriorated due to age, rot and termite issues (although was likely that they were still suitable for 1000Pa wind pressure) and that the present wood pole inspection process may not be able to effectively identify timber that is likely to have deteriorating fibre strength. We consider that, in practice, these changes in asset management may have minimised the impact of the event. The report covered the 9U3 and 968 lines but not the 96M line.

The localised wind conditions at the Narrabri failure site were extreme wind conditions, but we do not consider the combination of events meets the definition of Force Majeure exclusion.

#### Market impact component

TransGrid performed well on the market impact component. Its target was 2857 DIs and its performance (with exclusions) was 595 DIs. We made some small adjustments for data errors that TransGrid had made: the addition of eight counts to its exclusion count for third party outages and the removal of two counts from its inclusion count. The effect of these adjustments on the s-factor calculation was an increase of \$12 582.

I would like to thank TransGrid for its participation in this year's compliance review. Should you have any further inquiries please contact Fiona Kostidis on (03) 9290 6986.

Yours sincerely



Peter Adams  
a/General Manager  
Wholesale Markets Branch