

Our Ref: 45535- D16/30745
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By email Tom Hallam <thomas.hallam@ausnetservices.com.au>

Dear Tom

Transmission service standards review for 2015

I am writing to inform you of the outcome of our review of AusNet Services' performance against the transmission service standards performance incentive scheme (STPIS) for the 2015 calendar year.

As you are aware, STPIS Version 4 (December 2012) applied to AusNet Services during the period. We conducted the annual compliance review in accordance with clause 6.4 of the scheme, in which we considered the following material:

- AER, AusNet Determination 2014-17 revenue cap decision, January 2014
- AER, Final Electricity Transmission STPIS, December 2012 (version 4)
- AusNet Services, 2015 STPIS submission, 1 February 2016
- AusNet Services responses to AER questions throughout February and March 2016, and pre-review correspondence in January 2016
- AEMO data and correspondence
- Where relevant, information provided in other TNSP's 2015 STPIS submissions.

Outcome of the 2015 compliance review

Component	AusNet submitted		AER endorsed	
	% MAR	\$	% MAR	\$
Service	0.1082	578,105	0.1082	578,105
Market impact	0.9050	4,833,121	0.3258	1,740,074
Network capability	1.5000	8,019,033	1.5000	8,010,697
Total	2.5132	13,430,259	1.9340	10,328,876

Service component review

We note that AusNet Services' initial submission lacked sufficient information to justify some of third party exclusion claims. The definition of each service component parameter listed in Appendix A of the Scheme requires:

The TNSP must provide a list to the AER each year that the TNSP considers should be excluded from performance results, including reasons and how the event meets the relevant exclusion definition. The AER will exercise its discretion to reject the claims where insufficient justification has been provided.

Whilst—upon follow-up—AusNet Services was able to provide further information to demonstrate these exclusion claims, we consider that the (initial) submission was not consistent with the STPIS requirements set out above. However, in this instance, we have decided to endorse the s-factor in AusNet Services' submission. That said, we encourage AusNet Services to provide more comprehensive supporting information in its initial submission in future reviews.

Market impact component (MIC) review

We found some adjustments were necessary to be made to your submission because four exclusion claims did not meet the requirements of the scheme. AER staff discussed these exclusion claims with AusNet Services staff during the course of this annual compliance review. We will provide details of the adjustments to AusNet Services staff in a follow-up email. We have increased AusNet Services' 2015 inclusion count by 951 DIs to a total of 1898.5 DIs. The 2016 target is therefore 1405 DIs (compared with 1088 DIs as proposed).

Network capability component review

As this review period is for the last quarter of AusNet Services' 2014-15 regulatory year and the first three quarters of the 2015-16 regulatory year, no adjustments to this incentive payment can be made in the annual compliance review. However, AusNet Services proposed to amend (remove and replace) two approved priority projects. We consider the proposed amendments satisfy the requirements of the STPIS and are in accordance with the objectives of the scheme. Accordingly, we have decided to accept the proposed amendments, including the consequential revised ranking of all approved projects.

We would like to thank AusNet Services for its participation in this compliance review. Should you have any further enquiries please contact Fiona Kostidis on (03) 9290 6986.

Yours sincerely



Peter Adams
General Manager
Wholesale Markets Branch