

Our Ref: 53902- D16/35025
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Kirstan Wilding
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By email Ms. Kirstan Wilding (kirstan.wilding@tasnetworks.com.au)

Dear Kirstan

Transmission service standards review for 2015

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

As you are aware, STPIS Version 2 (March 2008) applied to the service component until 1 July 2015, and STPIS Version 4.1 (September 2014) applied thereafter. STPIS Version 4 (December 2012) applied to the market impact and network capability components until 1 July 2015 and STPIS Version 4.1 (September 2014) applied thereafter. As none of the changes made in Version 4.1 affected TasNetworks, no transition is required between the market component and network capability component. We conducted the annual compliance review in accordance with the requirements of the STPIS.¹

Outcome of the 2015 compliance review

Component	STPIS version	TasNetworks submitted		AER endorsed	
		s-factor	\$	s-factor	\$
Service 1 st half 2015	2	0.7395	691,128	0.7395	691,128
Service 2 nd half 2015	4.1	0.4493	385,264	0.4493	385,264
Market impact	4/4.1	1.0054	1,801,785	1.0054	1,801,785
Network capability	4/4.1	1.5000	2,688,195	1.5000	2,688,195
Total			5,566,372		5,566,372

We found the supporting information package that you provided for the service component and market impact component to be complete and comprehensive and we endorse the s-factors that were submitted.

¹ Clause 5.2 and 5.3, STPIS Version 2 (March 2008) and clause 6.4, STPIS Version 4 (December 2012)/STPIS Version 4.1 (September 2014).

For the market impact component (MIC), the number of Dispatch Intervals (DIs) for 2015 performance was 247 DIs. The target for 2016 is therefore 1091 DIs, because it is the average of the annual performance in 2013 (1795 DIs), 2014 (1230 DIs) and 2015 (247 DIs).

For the network capability component, as this review period is for the second half of 2014-15 regulatory year and the first half of the 2015-16 regulatory year, no adjustments to the incentive payment can be made in this annual compliance review. Staff found that while the information provided in the network capability component template was adequate, there was a lack of detail provided for some priority projects. We expect this to be improved in future STPIS compliance reviews and would be happy to discuss with TasNetworks staff how reporting could be improved in this area.

Additionally, TasNetworks proposed to remove priority projects ranked 9 and 16, and add a new replacement priority with a ranking of 9. Based on the information provided, and advice from AEMO, we considered that 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.

I note that TasNetworks' proposal to amend its list of approved priority projects was not raised by TasNetworks prior to its compliance review submission or made explicit in its submission outside of the network capability component template. A proposal by a TNSP to amend its list of approved priority projects is a key compliance review issue. Please ensure that in future STPIS compliance reviews we are made aware of proposals to amend the list of approved priority projects in the cover letter of the review submission, and in the pre-compliance review process when you are seeking AEMO's endorsement of your intended changes.

We would like to thank TasNetworks 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