

Our Ref: 53902- D15/44665
 Contact Officer: Fiona Kostidis
 Contact Phone: (03) 9290 6986

GPO Box 520
 Melbourne VIC 3001
 Telephone: (03) 9290 1444
 Facsimile: (03) 9663 3699
www.aer.gov.au

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Ann Kile
 Acting General Manager Strategy and Stakeholder Relations
 Tasmanian Networks Pty Ltd
 PO Box 606
 Moonah TAS 7009

Dear Ann

Transmission service standards review for 2014

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of TasNetworks' performance against the transmission service standards performance incentive scheme (STPIS) for the 2014 calendar year.

In conducting the review, AER staff considered the following material:

- AER, *Transitional decision – TransGrid and Transend transmission 2014*, 28 March 2014
- AER, *Final Electricity Transmission Service Providers Service Target Performance Incentive Scheme*, March 2008 (version 2) (service component)
- AER, *Final Electricity Transmission Service Providers Service Target Performance Incentive Scheme*, December 2012 (version 4) (market impact component and network capability component)
- TasNetworks, *2014 STPIS submission*, 30 January 2015
- TasNetworks, *Email responses to AER questions*, 4, 18 and 19 March 2015

Service component and market impact component

The AER has endorsed the service standards factor (s-factor) applying to TasNetworks' service component, market impact component and network capability component as set out in Table 1. TasNetworks' performance in 2014 has resulted in a net financial bonus of \$3,049,774 to be recovered in the 2015–16 financial year (commencing 1 July 2015).

Table 1: S-factors for 2014 calendar year

Review	TNSP s-factor	TNSP \$	AER s-factor	AER \$	Difference
SC (v2, 2014)	0.8175%	1,758,397	0.7661%	1,647,789	-110,608
MIC (v4, H2)	0.0000%	0	0.0000%	0	0
NCC (v4, H2)	1.5000%	1,401,985	1.5000%	1,401,985	0
2014		3,160,382		3,049,774	-110,608

We reduced TasNetworks' service component s-factor by 0.0514% (\$110,608). TasNetworks sought to exclude 'Newton T2 transformer circuit trip' on the basis that the load tripped was an intermittent pumping load (Newton pumps). TasNetworks sought to exclude this outage from the following parameters: transmission circuit availability – transformer; Loss of Supply (> x system minutes) and average outage duration – transformers. The impact of this exclusion was minimal: AOD transformers has no revenue attached, in LOS x system minutes TasNetworks was below the cap and the impact for the Transmission Circuit Availability sub-parameter for transformers is 0.00003% (according to TasNetworks).

This exclusion is not available to TasNetworks under version 2 of the scheme. It is an exclusion for the Loss of Supply sub-parameter only under version 4 of the scheme). TasNetworks also claimed exclusions that were marked as undefined which should have contributed to the circuit unavailability measure. TasNetworks resubmitted its template and provided supporting evidence for the timing of the unavailability. We accepted the resubmitted template.

We made changes to 242 DIs that were outage related. 94 of these were excluded (36 exclusion code 2; 58 exclusion code 3) and TasNetworks' MIC count of inclusions will increase by 148 counts. The exclusion code 3 counts were related to Basslink unplanned outages. The increase to count were for the following constraints: F_T++CSGO_TG_R6 (9 DIs), F_T+CSGO_TG_R6 (16 DIs), F_T+FASH1_2C_RREG (1 DI) V:T_SHGT_BL_1 (106 DIs). Details of the times and constraint descriptions were emailed to TasNetworks on 17 March 2015.

2015 market impact component target

As you are aware, under STPIS version 4 and 4.1, the MIC performance target for 2015 is the average of the 2012, 2013 and 2014 actual performance count. We confirm that TasNetworks' performance for 2014 is 1230 DI counts, resulting in a calendar year target of 1485 DIs for 2015.

Table 2: TasNetworks, annual performance count 2012–2014

	2012	2013	2014	Average
Annual performance count	1429	1795	1230	1485

Review of network capability component (no adjustment)


As part of the financial incentive, in each regulatory year the TNSP receives an incentive allowance under the network capability incentive parameter equal to 1.5 per cent of its maximum allowed revenue (MAR) for each year except for the final year of the regulatory control period.

This is the first year in which the NCC has applied to TasNetworks, so it will receive an incentive allowance equal to 1.5 per cent of MAR. Our review is primarily about data collection and assessing the quality of information provided by TasNetworks.

We note that TasNetworks' network capability component submission proposed the removal of two priority projects and suggested three replacement projects. Our decision on this issue will be set out in the AER's upcoming final decision for the Transmission Network Determination 2015-19.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Adams', written over the typed name.

Peter Adams
a/General Manager
Wholesale Markets Branch

