

27 March 2015

Ms Paula Conboy
Chair
Australian Energy Regulator
Level 35, The Tower
360 Elizabeth Street
MELBOURNE VIC 3000

Dear Ms Conboy

re: Proposal to apply the Network Capability Component of the Service Target Performance Incentive Scheme to ElectraNet for 2015-16 to 2017-18

On 19 February 2015, the Australian Energy Market Commission made the *National Electricity Amendment (Early Application of Service Target Performance Incentive Scheme (STPIS) Components for Transmission Businesses) Rule 2015 No 1*.

This Rule allows a Transmission Network Service Provider to apply to the AER for the application of the network capability component of the STPIS during its current regulatory control period, where that component would not otherwise apply until its next regulatory control period. The network capability component was introduced by the AER to incentivise transmission businesses to fund low cost works to improve the capability of the existing transmission network to the benefit of consumers.

The network capability component is not scheduled to apply to ElectraNet until the commencement of its next regulatory control period on 1 July 2018. ElectraNet has identified a range of small scale works that would improve the capability of the South Australian transmission network and deliver material benefits to consumers. ElectraNet is therefore seeking early implementation of the network capability component.

Accordingly, ElectraNet submits the enclosed Network Capability Incentive Parameter Action Plan (NCIPAP) to the AER for approval, in accordance with Rule 11.77.3. The NCIPAP contains a three year program of priority projects which would commence on 1 July 2015, and was developed in accordance with the applicable requirements of the network capability component of the current STPIS version 4.1.

ElectraNet has consulted extensively with AEMO in the development of these proposals over the last 12 months. AEMO has endorsed all six of the priority projects proposed by ElectraNet in its NCIPAP, assessing these as having positive network market benefits and in AEMO's view, delivering value to customers. ElectraNet has also engaged with electricity consumers in developing its NCIPAP, and sought to address all relevant concerns and issues raised by these stakeholders in its final proposals.

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The enclosed application comprises the following:

- A consumer fact sheet summarising the network capability projects proposed
- The proposed NCIPAP
- A detailed rating spreadsheet identifying all relevant network limits as required (please note this data file is submitted on a confidential basis as it contains commercially sensitive connection point information)
- Consultation summary document outlining the issues raised by stakeholders and manner in which these have been addressed
- Letter of endorsement from AEMO dated 20 March 2015
- A compliance checklist addressing all applicable submission requirements

ElectraNet looks forward to working with the AER through the formal assessment of the enclosed proposals. Please direct any enquiries in the first instance to Simon Appleby, Senior Manager Regulation and Land Development on (08) 8404 7324.

Yours sincerely



Rainer Korte
Executive Manager Asset Management