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20 October 2009

Mr Chris Pattas  
General Manager  
Network Regulation South  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Mr Pattas

### **Proposed Amendment to AER's Service Target Performance Incentive Scheme**

I refer to the AER's Explanatory Statement of September 2009 on the proposed amendments to the Service Target Performance Incentive Scheme (STPIS).

Integral Energy notes that while the proposed amendments do not fundamentally alter the overall operation of the STPIS, the changes are designed to improve the transparency and effectiveness of the scheme and provide greater flexibility where appropriate.

#### *Amendment of the s-bank mechanism*

Integral Energy notes that the amendment to the operation of the s-bank mechanism, as proposed by ETSA Utilities, would allow either:

- DNSPs to defer incurring rewards or penalties under the STPIS for more than year; or
- DNSPs to bank rewards or penalties up to a maximum percentage of a DNSP's revenue.

Integral Energy agrees with the AER that adopting ETSA's proposed amendments would add complexity to the scheme and would lead to a weaker incentive on DNPS to more closely manage service performance. Accordingly, Integral Energy supports the AER's decision not to amend the operation of the s-bank mechanism.

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### *Major event days*

The AER has proposed two amendments to the major event days exclusion. The two proposed amendments would allow DNSPs to:

1. Propose an alternative transformation method where a data set is not normally distributed ; and
2. Propose a threshold greater than 2.5 beta from the mean.

Integral Energy supports the adoption of both of the proposed amendments as they will provide DNSPs and the AER greater flexibility in ensuring the scheme is more closely aligned with the requirements of the National Electricity Rules and the objectives of the STPIS itself. In the case of the second proposed amendment it is also recognised that the amendment may, in particular circumstances, result in more efficient outcomes than the strict application of the 2.5 beta threshold.

### *Timing of performance measurement*

Integral Energy supports the changes the AER has proposed to the timing of the performance measurement such that the performance is measured on a regulatory year basis for each of the regulatory control period.

Should you have any questions or require further information on any of the matters discussed above please contact our Manager Network Regulation, Mike Martinson, on 02 9853 4375.

Yours faithfully



Daniel Lucas

**Acting Chief Executive Officer**