

Mr Chris Pattas  
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Dear Mr Pattas,

### **STPIS and EBSS Guidelines**

Under the AER's Service Target Performance Incentive Scheme (STPIS) and Efficiency Benefit Sharing Scheme (EBSS) guidelines, TNSPs may propose changes to the schemes by 22 months prior to the start of a regulatory control period.

The AER is currently undertaking a review of the STPIS guideline. TransGrid has contributed to the review, both as a member of Grid Australia and directly, and has raised the matters it wishes to be considered during the review. TransGrid acknowledges the AER's extensive consultation with a wide range of market participants on the review of the scheme, and appreciates the approach the AER has taken to the review. Key matters raised during the review are:

1. It is too early in the implementation of the market impact component to consider a symmetric incentive, as the full sensitivity of the scheme to exogenous factors is not yet known and a symmetric incentive would create significant risk for TNSPs.
2. The design of STPIS parameters should take into account the incentive for a TNSP to maintain performance when at the 'performance frontier'.
3. The provision in the scheme allowing TNSPs to propose changes furthers the objectives of the scheme through encouraging continual innovation, and should be retained.

In addition to our previous submissions we also believe the strength of the market impact component may be improved by approaches to reduce volatility, such as a cap on individual unusually large events or a method of performance smoothing. TransGrid will review the draft decision when released and raise these aspects if relevant under the ongoing consultation process.

TransGrid does not wish to propose changes to the EBSS guideline to apply to its 2014-2019 regulatory control period.

Should you have any questions on these matters, please feel free to contact Mr Andrew Kingsmill, Regulatory Expenditure Manager, on (02) 9284-3149.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'AM' followed by a stylized flourish.

**Anthony Meehan**

***Executive General Manager/Finance & Information Systems***

31/8/12