



11 January 2008

Mr Steve Edwell
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Australian Energy Regulator
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Email: AERInquiry@aer.gov.au

Attention: Mr Sebastian Roberts, General Manager, Markets Branch

Electricity Transmission Network Service Providers - Draft Service Target Performance Incentive Scheme

In August 2007, the NGF and ERAA made a joint submission on the AER's Issues Paper on the above, expressing support for the development of the scheme, and raising a number of specific comments.

The AER has considered these comments in putting forward its draft scheme design. The NGF does not intend to revisit each of these issues, but would make the following brief observations.

The NER requires a performance incentive scheme to be finalised 15 months prior to the relevant reset. On this basis, the AER has proposed to rollout the scheme progressively from 2009.

However, this should not prevent a requirement for TNSPs to collect and publish the relevant information in the interim. This would provide useful preparation for actual performance measures in the relevant reset, and valuable transparency to the market.

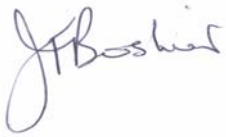
As indicated previously, the NGF has mixed views on the appropriate balance between certainty of transmission outage timing, and minimisation of market impact. Individual members will provide their own views on this matter directly.

Nevertheless, the NGF believes that this should not interfere with timely implementation of initial market impact measures at this time. It is also acknowledged that a scheme of this nature will necessarily evolve over time, and that the design will need to be improved upon based on experience.

Having reviewed the draft decision, the NGF would therefore like to reiterate its strong support for the establishment of performance incentives based on market impact measures, and reinforce the need for timely implementation of the proposed scheme.¹

Should you wish to discuss any aspects of the NGF's position, please contact Mr Tony Callan, NGF representative on (02) 9285 2712.

Yours sincerely

A handwritten signature in blue ink that reads "JBoshier". The signature is written in a cursive style with a large, looping initial "J".

John Boshier
Executive Director

¹ Macquarie Generation does not support the AER proposal in its current form.