



Obj Ref:A1254259

1 February, 2012

Mr Warwick Anderson
General Manager
Network Regulation North Branch
Australian Energy Regulator
PO Box 3131
CANBERRA ACT 2601

Dear Mr Anderson

SERVICE TARGET PERFORMANCE INCENTIVE SCHEME REPORT – 2011

Please find attached Powerlink's Service Target Performance Incentive Scheme (STPIS) report for the 2011 calendar year. The report has been prepared in accordance with the AER's Electricity Transmission Network Service Providers Service Target Performance Incentive Scheme (version 3, March 2011) and Powerlink's revenue cap decision for the 2007/08 to 2011/12 regulatory period (June 2007).

Exceptionally bad weather contributed to making 2011 a challenging year for Queensland network service providers. In January and February 2011, major flooding in south east Queensland from exceptionally heavy rain and Cyclone Yasi's landfall in north Queensland posed significant difficulties for network operations. In particular, rain and consequential flooding in south east Queensland forced the outage of multiple transmission circuits which then constrained the electricity market for an extended period. The supporting documentation provides more detail about the effects of that weather on network operations.

In total, Powerlink's network performance under the two elements of the scheme for the 2011 reporting period is assessed as a bonus of \$18.496 million. Under the National Electricity Rules, this amount can be applied to Powerlink's 2012/13 maximum allowable revenue.

Service Component

Overall, Powerlink's performance has resulted in an S-factor of 0.43% and a financial incentive of \$3.337 million for the 12-month reporting period. This was achieved via the following:

- circuit availability – actual performance exceeded targets on non-critical elements and in peak periods;

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- loss of supply frequency – over the 2011 reporting period, Powerlink experienced below target numbers of events greater than the 0.2 system minutes and 1.0 system minutes thresholds; and
 - average outage duration – outages on the Powerlink network averaged 765 minutes during the year, which is better than the established target.

Market Impact Component

Over the 2011 reporting period, out of its target of 1570 dispatch intervals Powerlink's network experienced 37 dispatch intervals where constraints due to network outages had a market impact. This resulted in an S-factor of 1.95% and an associated bonus of \$15.159 million.

Data Collection

From 1 January 2012 Powerlink has implemented a new software application to automate STPIS data collection tasks which were previously performed manually. The data collected, measured and reported has not changed.

If you have any queries in relation to this matter, please contact Don Woodrow, Manager Regulation Strategies and Development, on (07) 3860 2173.

Yours sincerely



Garry Mulherin

MANAGER NETWORK STRATEGY & PERFORMANCE