

1 Feb 2008

Mr Chris Pattas  
General Manager  
Network Regulation South Branch  
Australian Energy Regulator  
Level 42 The Tower  
360 Elizabeth Street  
Melbourne VIC 3000

By email            chris.pattas@aer.gov.au

Dear Chris,

**SP AusNet Performance Against AER Service Standards  
Year Ending 31 December 2007**

Please find attached, a report on SP AusNet's performance against the AER Service Standards for the year ending 31 December 2007. This report has been formulated in accordance with the *AER Service Standard Guidelines* and is intended to meet the obligations set out in the *ACCC Final Decision on Victorian Transmission Revenue Caps 2003-2008*.

As the results in the attached report show, SP AusNet met or outperformed the benchmark in five of the nine measures.

Where benchmarks were not achieved, this was generally as a result of the significant increase in planned capital expenditure in this regulatory period relative to the previous regulatory period. It is important for the AER to recognise that the performance targets established by the ACCC in 2002 for the current regulatory control period were based on historic data during a period with substantially lower levels of capital and maintenance works. This is important to emphasise, as the Victorian transmission networks continues to operate at a high level of reliability.

As in 2006, SP AusNet delivered much higher availability for its transmission network elements during peak and intermediate periods than off-peak periods as the Company responded to the performance incentive scheme.

SP AusNet's performance bonus/penalty resulting from the scheme (including adjustments for exclusions) has been calculated to be a \$195,438 bonus. Upon confirmation with the AER, the approved amount will be added to the MAR calculated for the year 2008/09 (April to March).

Under the AER Guidelines, it is expected that the AER's consultants will conduct an audit of the Company's performance data.

Should you have any queries regarding the information provided, please do not hesitate to contact Tom Hallam, Manger Electricity Transmission, on 03 9695 6617.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Charles Popple', written in a cursive style.

Charles Popple  
General Manager, Regulatory and Business Strategy  
SP AusNet Pty Ltd