

1 February 2013

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

By email chris.pattas@aer.gov.au

Dear Chris,

**SP AusNet's Performance Against AER Service Standards
Year Ending 31 December 2012**

Please find attached the templates and supporting documents outlining SP AusNet's performance against the AER Service Standards for the year ending 31 December 2012. This report has been formulated in accordance with the AER *Service Standard Guidelines* and meets the obligations set out in the AER *Final Decision SP AusNet Transmission Determination 2008-09 to 2013-14* and the AER *Final Decision Early Application of the Market Impact Component of the Service Target Performance Incentive Scheme for SP AusNet*.

As the results in the attached templates show, SP AusNet met or outperformed the benchmark for all nine service measures. For six of the measures, service performance went beyond the cap for the maximum bonus. On two other measures, SP AusNet outperformed the target. Overall, the results demonstrate that the Victorian transmission network continues to operate at a high level of reliability.

SP AusNet participated in the Market Impact component for the first full year in 2012 and dedicated increased resources to actively manage outages to minimise their market impact. After exclusions, there were 896 Dispatch Intervals with a marginal value of greater than \$10/MWh. A significant number of exclusions are sought in relation to outages for the connection of the Macarthur Wind Farm (533 DIs), for which further details are provided below. Whilst market impact performance has been historically volatile, the 2012 result represents the lowest market impact on SP AusNet's network since 2006, suggesting that the additional focus on this aspect of performance as a result of the incentive scheme has benefited customers.

SP AusNet's performance bonus/penalty resulting from the scheme (including adjustments for exclusions) has been calculated to be a \$10,218,106 bonus. This bonus is made up of \$4,253,517 for the Service component of the scheme, and \$5,964,589 for the Market component. Upon confirmation with the AER, the approved amount will be added to the MAR calculated for the year 2013/14 (April to March).

Additionally, an annual review of the nominated list of critical circuits / system components has been carried out (in accordance with the provisions of AER's final decision dated January 2008, page 275).

Accordingly, SP AusNet would like to add one additional critical circuit element to its previous list of 146. In SP AusNet's transmission network, a new critical circuit has been created as a result of the new generator connection (Macarthur) at Tarrone. As part of this new generator connection, the existing critical circuit element, namely MLTS – HYTS No.1 500 kV line was split into two critical circuits, namely (1) MLTS – TRTS No.1 500 kV line and (2) TRTS – HYTS No.1 500 kV line. As a result of this change, the total circuits in SP AusNet's network now change from 210 to 211 and the critical circuits' number increases to 147. An updated list is provided as an attachment to this submission.

Under the AER Guidelines, it is understood that the AER may engage consultants to conduct an audit of the Company's performance data.

Should you have any queries regarding the information provided, please do not hesitate to contact Katie Yates, Principal Economist, on 03 9695 6622.

Yours sincerely,



Alistair Parker
Director, Regulatory and Network Strategy
SP AusNet

Market Impact Component – Exclusions for Connection of TRTS

The Tarrone Terminal Station has been built by SP AusNet on a contestable basis to enable the connection of the Macarthur Wind Farm to the network. To connect the new terminal station a new negotiable service was provided between structures 437 and 440 on the HYTS – MOPS and HYTS – MLTS transmission lines. The structures for the new service were completed by the end of July 2012 and the entire negotiable and contestable services were granted practical completion by AEMO on 18 September 2012. The Macarthur wind farm was generating from this date onwards.

Exemptions for the TRTS work tied to the above milestones are summarised as follows:

Comments	Month	GENCONID	Equipment Name	Count
Outage of prescribed assets due to assets providing negotiable services (not prescribed) at TRTS. Station commissioned 2012.	Jun	F_S++HYML_L5	TRTS at HYTS - MLTS No 1 500kV Line	1
			TRTS at HYTS - MOPS No 2 500kV Line	2
		F_S++HYML_L60	TRTS at HYTS - MLTS No 1 500kV Line	4
			TRTS at HYTS - MOPS No 2 500kV Line	24
		V_HYMO2_1	TRTS at HYTS - MOPS No 2 500kV Line	29
	Jul	F_S++HYML_L5	TRTS at HYTS - MLTS No 1 500kV Line	2
			TRTS at HYTS - MLTS No 1 500kV Line	2
		F_S++HYML_L60	TRTS at HYTS - MLTS No 1 500kV Line	9
			TRTS at HYTS - MLTS No 1 500kV Line	2
		V_HYML1_1	TRTS at HYTS - MLTS No 1 500kV Line	2
		V_HYML1_2	TRTS at HYTS - MLTS No 1 500kV Line	3
		V_HYML1_3	TRTS at HYTS - MLTS No 1 500kV Line	2
		V>>S_HYML_2	TRTS at HYTS - MLTS No 1 500kV Line	2
	V>>S_HYML_4	TRTS at HYTS - MLTS No 1 500kV Line	51	
	Aug	F_QNV+HYML_L5	TRTS at HYTS - MLTS No 1 500kV Line	1
			TRTS at HYTS - MLTS No 1 500kV Line	1
		F_S++HYML_L60	TRTS at HYTS - MLTS No 1 500kV Line	48
		V>>S_HYML_4	TRTS at HYTS - MLTS No 1 500kV Line	150
		VS_250	TRTS at HYTS - MLTS No 1 500kV Line	21
	Sep	F_S++HYML_L5	TRTS at HYTS - MLTS No 1 500kV Line	16
			TRTS at HYTS - TRTS No 1 500kV Line	2
		F_S++HYML_L60	TRTS at HYTS - MLTS No 1 500kV Line	35
			TRTS at HYTS - TRTS No 1 500kV Line	2
	V>>S_HYML_4	TRTS at HYTS - TRTS No 1 500kV Line	1	
	Nov	F_S++HYSE_L60	TRTS at HYTS - MOPS No 2 500kV Line	1
		V>>S_HYML_2	TRTS at HYTS - MOPS No 2 500kV Line	72
	Dec	F_S++HYML_L5	TRTS at HYTS - MOPS No 2 500kV Line	13
		F_S++HYML_L6	TRTS at HYTS - MOPS No 2 500kV Line	1
F_S++HYML_L60		TRTS at HYTS - MOPS No 2 500kV Line	4	
F_S++HYSE_L5		TRTS at HYTS - MOPS No 2 500kV Line	18	
F_S++HYSE_L60		TRTS at HYTS - MOPS No 2 500kV Line	14	

SP AusNet believes outages related to this connection should be excluded from the market impact component (MIC) of the STPIS as they meet two of the MIC exclusion criteria:

(3) any outages shown to be caused by a fault or other event on a 'third party system' – e.g. intertrip signal, generator outage, customer installation.

(4) outages on assets that are not providing *prescribed transmission services*

Event on a 'third party system'

As SP AusNet does not undertake network planning, outages must be incurred for connection at AEMO's discretion. The shared network outages required by SP AusNet to connect TRTS were for establishing a customer installation and benefit a party (SP AusNet in the capacity of a Service Provider) other than the SPI PowerNet as a regulated business. (Any XYZ party could have won the contract to build and own TRTS and requesting SPI PowerNet for these outages).

A further consideration is that AEMO, not SPI PowerNet, assessed the market impact on the South Australia interconnector and other generators when designing the augmentation contract. Therefore, the market impact of the connection outages is considered through this mechanism.

The agreed TRTS connection arrangements placed financial penalties on SP AusNet for limiting when outages could be undertaken, the length of the outages and the total amount of outages.

However, the contractual arrangements with AEMO also exempted outages for the connection from the jurisdictional Availability Incentive Scheme (AIS), as shown in the excerpt below (point 8.2).

8 OUTAGES

- 8.1 AEMO acknowledges and agrees that planned outages of existing facilities will be required by SPI PowerNet to carry out the Works.
- 8.2 AEMO agrees to waive the Outage Rebate applicable to outages taken solely in relation to the Works which would otherwise be incurred by SPI PowerNet under the Network Agreement up to a maximum of 520 hours.
- 8.3 AEMO may, at its discretion, waive outages beyond the amount referred to in **clause 8.2** provided that:
- (a) the outages are incurred directly in relation to the Works;
 - (b) the outages were unavoidable; and
 - (c) in AEMO's opinion, SPI PowerNet could not reasonably have accommodated all outages in the time referred to in **clause 8.2**.
- 8.4 The following requirements apply to all outages under **clause 8.1**:
- (a) outages must be taken between the Friday after 11 March and the Monday preceding 20 November, unless AEMO gives its prior consent;
 - (b) unless Alcoa or AEMO gives prior consent in the case of a particular outage:
 - (i) outages must be taken between the hours of 7am and 5pm;
 - (ii) there must be no more than 3 outages per week; and
 - (iii) outages must not be taken on weekends or public holidays.

Outages on assets that are not providing *prescribed transmission services*

While TRTS connects into assets providing prescribed transmission services, the connection is required for a non-prescribed service (a wind farm). From the commencement of the works, the outages are taken for the negotiable assets and not the prescribed asset.

Outages associated with the connection of the Tarrone Power Station should be excluded on the basis that these assets are not providing prescribed transmission services. The prescribed assets were available for services. This is consistent with the treatment of the previous non-regulated assets in developing out benchmark.