

31 May 2012

Mr Chris Pattas
General Manager
Network Operations and Development
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email chris.pattas@aer.gov.au

Dear Chris,

SP AusNet's Proposal to Amend the Service Target Performance Incentive Scheme

Please find attached SP AusNet's proposal for amendments to be made to the Service Target Performance Incentive Scheme (STPIS) and supporting historical performance data. This proposal is for changes to apply to SP AusNet for the next regulatory period, commencing in 2014.

The submission is made to comply with the STPIS Guidelines' provisions for TNSPs seeking variations (Clause 2.3) and, as required, is made 22 months prior to the commencement of the next regulatory period.

It is anticipated that the AER will be reopening its review of the Guidelines in time for changes to apply to SP AusNet. As such, SP AusNet has felt able to propose changes that will require a reopening of the guidelines (including increasing revenue at risk above the current caps).

SP AusNet may seek to update its position on some aspects of the STPIS design in light of the direction that emerges from the STPIS review.

The proposal set out in the attached submission takes into consideration the interaction of the Victorian jurisdictional Availability Incentive Scheme (AIS) with the STPIS. In parallel to this submission, SP AusNet is pursuing the closure of the AIS with AEMO. Any changes to the AIS require mutual agreement between SP AusNet and AEMO. As discussion with AEMO have just commenced, and their outcome cannot be pre-empted, SP AusNet's STPIS amendment submission sets out an alternative proposal that could be implemented if no agreement on the AIS closure can be reached.

Should you have any queries regarding the information provided, or require further information on the amendments proposed, please do not hesitate to contact Katie Yates, Regulatory Economist, on 03 9695 6622.

Yours sincerely,

A handwritten signature in blue ink, consisting of stylized initials 'AP' followed by a long horizontal flourish.

Alistair Parker
Director, Regulatory and Network Strategy
SP AusNet