

31 January 2011

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 Performance Against AER Service Standards
Year Ending 31 December 2010**

Please find attached the templates and supporting documents outlining SP AusNet's performance against the AER Service Standards for the year ending 31 December 2010. This report has been formulated in accordance with the AER *Service Standard Guidelines* and is intended to meet the obligations set out in the AER *Final Decision SP AusNet Transmission Determination 2008-09 to 2013-14*.

As the results in the attached templates show, SP AusNet met or outperformed the benchmark in eight of the nine measures. The one target which was not achieved was Average Outage Duration (AOD) where SP AusNet had a result of 13.64 hours of AOD for transformers, against a target of 6.87 hours. This result is due to a number of significant events where transformer outages occurred on 10 January 2010 at Wodonga Terminal Station and on 31 January 2010 at Morwell Terminal Station. Overall, the results demonstrate that the Victorian transmission network continues to operate at a high level of reliability.

SP AusNet's performance bonus/penalty resulting from the scheme (including adjustments for exclusions) has been calculated to be a \$2,845,653 bonus. Upon confirmation with the AER, the approved amount will be added to the MAR calculated for the year 2011/12 (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 Anh Mai, Principal Economist, on 03 9695 6627.

Yours sincerely,

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

Alistair Parker
Director, Regulatory and Network Strategy
SP AusNet