



AUSTRALIAN ENERGY
REGULATOR

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Mr Alistair Parker
Director, Regulatory and Network Strategy
SP AusNet
Locked Bag 14051
Melbourne City Mail Centre VIC 8001

Dear Mr Parker,

Re: Transmission service standards review for 2010

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of SP AusNet's performance against its transmission service standards incentive scheme for the 2010 calendar year.

In conducting the review, AER staff considered SP AusNet's revenue cap decision, dated January 2008, the *Final Electricity Transmission Service Providers Service Target Performance Incentive Scheme*, published in March 2008, and SP AusNet's performance report for 2010 (submitted to the AER 31 January 2011).

After conducting the review of SP AusNet's transmission service performance, I endorse the service standards factor ("s-factor") applying to SP AusNet's service component is 0.583 per cent for the 2010 calendar year. The application of this s-factor results in an additional amount of \$2,845,653 to SP AusNet's maximum allowed revenue for the 2011-12 financial year.

SP AusNet proposed three force majeure exclusions in 2010. Two of these events related to a snow storm in the alpine region and the other exclusion to a microburst windstorm. The AER notes SP AusNet was able to provide Bureau of Meteorology information in relation to the microburst windstorm to support its force majeure exclusion. This enabled the AER to conclude the event was extraordinary and therefore should be excluded as a force majeure event. In relation to the snow storm SP AusNet was unable to provide the same level of supporting information which caused the AER some concern in regard to this event. While the AER concluded this was a force majeure event, to support future force majeure exclusions the AER expects Bureau of Meteorology (or similar) information to be provided otherwise it may be unable to endorse such exclusions.

I would like to thank SP AusNet for its open and active participation in this year's audit process. Should you have any further enquiries please contact Luke Stevens on (03) 9290 1485.

Yours sincerely,

Chris Pattas
General Manager