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23 April 2012

Mr Peter McIntyre
Managing Director
TransGrid
PO Box 87
HORSELY PARK NSW 2175

Dear Mr McIntyre,

Re: Transmission service standards review for 2011

I am writing to inform you of the outcome of the Australian Energy Regulator's (AER) review of TransGrid's performance against its transmission service standards incentive scheme for the 2011 calendar year.

In conducting the review, AER staff considered TransGrid's revenue cap decision, dated 28 April 2009, the *Final Electricity Transmission Service Providers Service Target Performance Incentive Scheme*, published in March 2008, and TransGrid's performance report for 2011 (submitted to the AER 1 February 2012).

In my letter of 23 December 2011, I noted the requirements of the *Final Electricity Transmission Network Service Providers Information Guidelines*, dated September 2007, to provide, where available, supporting documentation for each proposed exclusion event. AER staff note that TransGrid supplied no supporting information for any of its exclusion events in its 3 February 2012 submission. I reiterate that supporting documentation must accompany TransGrid's service standard submissions. Without this supporting documentation, I will be unable to endorse TransGrid's proposed s-factors.

After conducting the review of TransGrid's transmission service performance, I endorse the service standards factor ("s-factor") applying to TransGrid's service component of -0.139138 per cent for the 2011 calendar year. The application of this s-factor results in a financial penalty of \$1,072,481 to TransGrid's maximum allowed revenue for the 2012-13 financial year.

In relation to TransGrid's market impact component, I endorse the s-factor of 1.389569 per cent. The application of this s-factor results in an additional amount of \$10,710,834 to TransGrid's maximum allowed revenue for the 2011-12 financial year.

Overall, TransGrid's total MAR adjustment for the 2011-12 financial year is \$9,638,353.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Pattas', with a stylized, cursive script.

Chris Pattas
General Manager
Network Operations and Development