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23 April 2012

Ms Bess Clark
Executive Manager Corporate Strategy and Compliance
Transend Networks Pty Ltd
PO Box 606
MOONAH TAS 7009

Dear Ms Clark,

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 Transend's performance against its transmission service standards incentive scheme for the 2011 calendar year.

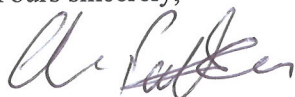
In conducting the review, AER staff considered Transend's revenue cap decision, dated 28 April 2009, the *Final Electricity Transmission Service Providers Service Target Performance Incentive Scheme*, published in March 2008, and Transend's performance report for 2011 (submitted to the AER 31 January 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 Transend supplied no supporting information for any of its exclusion events in its 3 February 2012 submission. I reiterate that supporting documentation must accompany Transend's service standard submissions. Without this supporting documentation, I will be unable to endorse Transend's proposed s-factors.

After conducting the review of Transend's transmission service performance, I endorse the corrected service standards factor ("s-factor") applying to Transend's service component of -0.411400 per cent for the 2011 calendar year. The application of this s-factor results in a penalty of \$827,392 to Transend's maximum allowed revenue for the 2012-13 financial year.

I would like to thank Transend 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,



Chris Pattas
General Manager
Network Operations and Development