

22 June 2017

Mr Chris Pattas
General Manager
Networks (Investment and Pricing)
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas

RE: Submission for exemption to elements of the Transmission STPIS Guideline

To support better customer outcomes, as part of our 2019-2024 regulatory period TasNetworks proposes to align the service reporting for our transmission and distribution network services.

The majority of our business reporting obligations are on a financial year basis. The exception is our transmission service performance reporting obligations to the AER, which are on a calendar year basis. Alignment of transmission performance reporting obligations with our other performance reporting obligations will provide efficiencies and will support a clearer framework to measure, incentivise and reward service performance. Having one reporting period on which the entire business' Service Target Performance Incentive Scheme (STPIS) payments are based will also allow us to more clearly articulate to our customers the linkage between transmission and distribution performance, costs and incentive outcomes.

The AER has indicated that alignment of service reporting may be achieved through the transmission business Framework and Approach for the 2019-2024 regulatory control period, and in particular by the AER granting an exemption from certain aspects of the Transmission STPIS Guideline. TasNetworks therefore seeks an exemption from the Transmission STPIS Guideline, to move transmission service reporting to a financial year basis from the start of the 2019-2024 regulatory period.

Our proposed approach to transitioning to the new requirements is outlined in an attachment to this letter.

We thank the AER for working with us to develop this submission and welcome the opportunity to discuss this matter further as part of our engagement on the AER's Framework and Approach. If you have any queries regarding this submission please contact Tim Astley, Team Leader NEM Strategy and Compliance either by email tim.astley@tasnetworks.com.au or by phone on (03) 6271 6151.

Yours sincerely

A handwritten signature in black ink that reads "Bess Clark". The signature is written in a cursive style with a large, stylized initial "B".

Bess Clark
General Manager Strategy & Stakeholder Relations

Attachment – Proposed approach to manage transition from calendar to financial year reporting

In order to transition from calendar to financial year reporting, we propose that at end of the current transmission Regulatory Period (30 June 2019) we provide a report on performance for the final six months of the Period. Performance in this period will be measured against the current performance targets and consequential adjustments to our maximum allowable revenue (MAR) made for the 2020-21 year. For the new Regulatory Period (2019-24), we would then report our performance on a financial year basis.

To achieve this outcome, TasNetworks seeks exemption from the following requirements:

- clause 2.4 of the Transmission STPIS Guideline where the ‘reporting period’ is defined as being the calendar year starting 1 January. A substitute definition of 1 July will achieve the desired outcome, and
- clauses 3.3 and 4.3 where adjustments to the MAR are based on calendar year performance and revenues. The Framework and Approach will instead need to state the performance reporting period is from 1 July to the following 30 June and adjustments to the MAR are based on performance and revenue for that period.

There will need to be targets for the six months period from 1 Jan 2019 to 30 June 2019. We propose this is managed by:

- where the STPIS measure is a rate, it is unchanged; and
- where the measure is a target, it is halved.

For measures S7 and S8, the figures below show how we propose the financial incentives be set.



