TransGrid's Response to

AER's First Proposed Service Target Performance Incentive Scheme

1 May 2007

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Response to Question 1 – Is the process for requesting an amendment to the scheme suitable?

As you are aware, TransGrid must submit its next revenue proposal to the Australian Energy Regulator (AER) by the end of May 2008. Part of TransGrid's proposal will be details of service performance values, in accordance with the Scheme.

The National Electricity Rules (NER) requires that any changes to:

- the Service Target Performance Incentive Scheme (STPIS) – be made by the AER 15 months before the next revenue control period; and
- a transmission network provider's parameters – be made at least 2 months before their revenue proposal is to be submitted.

TransGrid's next revenue proposal is due on 31 May 2008 for the regulatory control period commencing 1 July 2009. Therefore, any proposed changes to the parameters, and STPIS, applicable to TransGrid must be made by the AER by 31 March 2008, and 1 April 2008, respectively.

Under the transmission consultation procedures outlined in the NER, should a TNSP propose amendments to the scheme, the AER is required to issue a set of documents and must make a decision on the amendment within 80 business days. In recognition of these NER requirements, proposed clause 2.4(d) of the scheme states:

> (d) in order to ensure that the *transmission consultation procedures* can be completed before the cut off date, a TNSP must submit any proposed amendments to the AER at least 22 months before the commencement of the next *regulatory control period* (i.e. 9 months before its revenue proposal is due to be lodged with the AER).

However, under the proposed guideline, TransGrid would be required to submit amendments to the guideline 22 months before the next regulatory control period, namely by 1 September 2007. This is before the guideline is required to be issued. TransGrid therefore suggests that the AER consider agreeing to a transition process that would, in effect, allow TransGrid the opportunity to submit any proposed amendments to the Scheme by the end of November 2007. This will give the TNSPs time to assess the scheme and propose any changes, and also give the AER sufficient time to meet its consultation requirements.

Response to Question 4 – Should any amendments be made to the TNSP specific parameter definitions in Appendix B?

In order to bring the format of TransGrid's parameters and definitions into line with those of other TNSPs, TransGrid proposes its parameters and definitions to be specified as stated in Attachment 1 of this letter.

The proposed parameters and definitions reflect TransGrid's existing parameters as presently implemented, consolidating exclusions and time caps historically applied or previously agreed to by the AER. It also adds an inclusion to Parameter 2, similar to that proposed by the AER in Appendix A of the proposed scheme, and amended to reflect TransGrid's existing reporting systems in order that historical data can be readily reviewed.

Attachment 1: TransGrid's Proposal for Appendix B, Part 4

Part 4 – TransGrid

Parameter 1 ***Transmission circuit availability***

This definition applies instead of the standard definition	
Sub-parameters	Transmission line availability. Transformer availability. Reactive plant availability.
Unit of measure	Percentage of total possible hours available.
Source of data	TNSP outage reports and system for circuit availability. Agreed schedule of critical circuits and plant. Nominated peak/off-peak hours. Currently peak-7:00 am to 10:00 pm weekdays. Or as otherwise defined by the TNSP/*NEMMCO.* Off peak-all other times. May include intermediate time periods and seasonal periods.
Definition/formula	Formula: $\frac{\text{No. of hours per annum defined (critical/non-critical) circuits are available}}{\text{Total possible no. of defined circuit hours}} \times 100$ Definition: The actual circuit hours available for defined (critical/non-critical) transmission circuits divided by the total possible defined circuit hours available. Events will be capped at 14 days.
Inclusions	'Circuits' includes overhead lines, underground cables, power transformers, phase shifting transformers, static var compensators, capacitor banks, and any other primary transmission equipment essential for the successful operation of the transmission system (TNSP to provide lists). Circuit 'unavailability' to include outages from all causes including planned, forced and emergency events, including extreme events.
Exclusions	Unregulated transmission assets. Exclude from 'circuit unavailability' any outages shown to be caused by a fault or other event on a '3rd party system' eg. Inter-trip signal, generator outage, customer installation (TNSP to provide lists). Outages to control voltages within required limits, both as directed by *NEMMCO* and where *NEMMCO* does not have direct oversight of the network (in both cases only where the element is available for immediate energisation if required). *Force majeure events* Transient interruptions less than one (1) minute. The opening of only one end of a transmission circuit (eg. where the transmission circuit remains energised and available to carry power with immediate manual or automatic return to service).

Parameter 1	***Transmission circuit availability (continued)***
	Auxiliary transformers
	Static Var Compensator transformers (which are counted as part of the SVC).
	The opening of only one or both sides of a transformer for operational purposes, such as to control losses, fault levels, incompatibility of tap-changes etc. but where the transformer remains available to carry power on immediate manual or automatic return to service.
	The period where a transformer is made available for service, but not switched in, at the end of each day of a multi-day planned outage.
	Capacitor banks and reactors operating less than 66kV.
	Reactive plant switched out by System Operations, or left out after repairs that make it available for service for operational purposes.

Parameter 2 ***Loss of supply event frequency***

This definition applies instead of the standard definition.	
Unit of measure	Number of significant events per annum.
Source of data	TNSP outage reports and system for circuit availability.
Definition/formula	Number of events greater than 0.05 system minutes per annum. Number of events greater than 0.4 system minutes per annum.
Inclusions	All unplanned outages exceeding the specified impact (that is, 0.05 minutes and 0.4 minutes). Unplanned outages on all parts of the regulated transmission system. Extreme events. Forced outages where notification to affected customers is less than 1 hour (except where *NEMMCO* reschedules the outages after notification has been provided).
Exclusions	Unregulated transmission assets (e.g. some connection assets). Successful reclose events (less than 1 minute duration). Any outages shown to be caused by a fault or other event on a '3rd party system' eg. Inter-trip signal, generator outage, customer installation. Planned outages. *Force majeure events* Where TransGrid protection operates correctly due to a fault on a customer's or a third party system. Pumping station supply interruption. Outage caused by customer's own control system during a transient voltage fluctuation.

Parameter 3 ***Average outage duration***

This definition applies instead of the standard definition.	
Sub-parameters	Total average outage duration.
Unit of measure	Minutes.
Source of data	TNSP outage reports and system.
Definition/formula	Formula: $\frac{\text{Aggregate minutes duration of all unplanned outages}}{\text{No. of events}}$ Definition: The cumulative summation of the outage duration time for the period, divided by the number of outage events during the period. Events will be capped at 7 days.
Inclusions	Faults on all parts of the regulated transmission system (connection assets, interconnected system assets). All forced and fault outages whether or not loss of supply occurs.
Exclusions	Planned outages. Momentary interruptions (less than one minute). *Force majeure events* Any outages shown to be caused by a fault or other event on a '3rd party system' eg. Inter-trip signal, generator outage, customer installation, customer request or *NEMMCO* direction. Outages for capacitor banks and reactors operating at less than 66kV.