

Our Ref: D07/70753



26 October 2007

Ms Donella Greer
Director
Network Regulation North
Australian Energy Regulator

by email: Donella.Greer@accc.gov.au

Dear Donella

Transend Networks - Service Target Performance Incentive Scheme

Thank you for your feedback regarding Transend's submission on the Service Target Performance Incentive Scheme ('STPIS'). Transend has considered your position and provides in response its amended proposal on the following aspects of the STPIS:

Parameter 1 - Transmission Circuit Availability

The wording of the 3rd party exclusions has been modified.

Parameter 2 - Loss of Supply Event Frequency

The wording of the 3rd party exclusions has been modified.

Parameter 3 - Average Outage Duration

Transend and its consultant SKM has, in the report previously submitted to the AER, presented reasons for not including the average outage duration measure in the scheme. Transend still maintains the view that the inclusion of this measure will not add value for Transend's customers. However, should the AER reach a contrary view, Transend has included a proposed definition for the average outage duration parameter. The definition includes minor amendments to the standard parameter inclusions and exclusions.

The proposed schedules for Transend's STPIS are included as an attachment to this letter. As discussed with the AER, we understand that the Market Impact of Transmission Congestion (MITC) measure will not be introduced for Transend in the next revenue determination period.

Transend appreciates the dialogue with the AER to progress and resolve this matter. Transend's contact is Bess Clark, telephone (03) 6274 3909.

Yours sincerely

[by email]
Bess Clark

Executive Manager Revenue Regulation

APPENDIX

Parameter 1 **Transmission Circuit Availability**

This definition applies instead of the standard definition

Sub Parameters	Transmission line circuit availability (critical circuits)
	Transmission line circuit availability (non-critical circuits)
	Transformer circuit availability
Unit of Measure	Percentage of total possible hours available
Source of data	Transend transmission performance reporting system
Definition/formula	Formula:
	$\frac{\text{Number of hours per annum circuits are available}}{\text{Total possible number of defined circuit hours}} * 100$
Inclusions	Definition:
	The actual circuit hours available for defined transmission circuits divided by the total possible defined circuit hours available.
	Circuits include overhead lines, underground cables and power transformers.
Exclusions	Circuit outages from all causes including planned, forced and emergency events, including extreme events.
	Unregulated transmission assets.
	Dedicated connection assets that supply a customer who has negotiated a higher (or lower) level of service required by the Rules, where that customer has agreed to the cost (or discount) for that higher (or lower) level of service.
	Circuit outages caused by a fault or other event on a 3rd party system e.g. intertrip signal, generator outage (including coincident outages), customer installation (including a customer request), or by direction by fire services or NEMMCO.
	Force majeure events.

Parameter 2 Loss of supply event frequency

This definition applies instead of the standard definition

Sub Parameters	Frequency of events where loss of supply exceeds 0.1 system minute Frequency of events where loss of supply exceeds 1.0 system minute
Unit of Measure	Number of events per annum
Source of data	Transend transmission performance reporting system
Definition/formula	Number of events greater than 0.1 system minute per annum Number of events greater than 1.0 system minute per annum System minutes are calculated for each supply interruption by the “Load Integration Method” using the following formula:

$$\frac{\sum (\text{MWh unsupplied} \times 60)}{\text{MW peak demand}}$$

where:

MWh unsupplied is the energy not supplied as determined by using NEM metering and substation load data. This data is used to estimate the profile of the load over the period of the interruption by reference to historical load data.

Period of the interruption starts when a loss of supply occurs and ends when Transend offers supply restoration to the customer.

MW peak demand means the maximum amount of aggregated electricity demand recorded at entry points to the Transend transmission network and interconnector connection points during the financial year in which the event occurs or at any time previously.

The performance parameter applies to exit points only.

Interruptions affecting multiple connection points at exactly the same time are aggregated (i.e. system minutes are calculated on the basis of events rather than connection point interruptions).

Inclusions	All unplanned outages exceeding the specified impact. Unplanned outages on all parts of the regulated transmission system. Extreme events.
------------	--

Exclusions	Unregulated transmission assets. Dedicated connection assets that supply a customer who has negotiated a higher (or lower) level of service required by the Rules, where that customer has agreed to the cost (or discount) for that higher (or lower) level of service. Circuit outages caused by a fault or other event on a 3rd party system e.g. intertrip signal, generator outage (including coincident outages), customer installation (including a customer request), or by direction by fire services or NEMMCO. Planned outages. Force majeure events.
------------	--

Parameter 3 Average Outage Duration

This definition applies instead of the standard definition

Sub Parameters Transmission line circuits

Transformer circuits

Unit of Measure Minutes

Source of data Transend transmission performance reporting system

Definition/formula Formula:

Aggregate minutes of all unplanned outages

Number of events

Definition:

The cumulative summation of the outage duration time for the period, divided by the number of events during the period.

where:

outage duration time starts when a loss of supply occurs and ends when Transend offers restored supply to the customer.

Inclusions Forced outages where notification to affected customers is less than 24 hours (except where NEMMCO reschedules the outage after notification has been provided).

Exclusions Unregulated transmission assets.

Dedicated connection assets that supply a customer who has negotiated a higher (or lower) level of service required by the Rules, where that customer has agreed to the cost (or discount) for that higher (or lower) level of service.

Circuit outages caused by a fault or other event on a 3rd party system e.g. intertrip signal, generator outage (including coincident outages), customer installation (including a customer request), or by direction by fire services or NEMMCO.

Successful reclose events (less than 1 minute duration).

Planned outages.

For all outages the duration is capped at seven days.

Force majeure events.