

Proposed Transmission STPIS Amendments to apply for 2019-2024

Seeking feedback from customers on our proposed changes

October 2017

Service Target Performance Incentive Scheme

- The Service Target Performance Incentive Scheme (STPIS) provides network service providers incentives to maintain and improve service performance
- STPIS is administered by the Australian Energy Regulator (AER)
- STPIS includes a bonus for improved performance, and a penalty for worsened performance.
- Limits, or caps and collars, are applied to bonuses and penalties

Transmission STPIS

- STPIS has three components
- One of these, the service component, has four parameters - one of which is **loss of supply event frequency**
- The parameter has two thresholds defined as:
 - the number of system events greater than **x** system minutes per annum (moderate events);
and
 - the number of system events greater than **y** system minutes per annum (major events).

The thresholds: **x** and **y**

- For TasNetworks, the AER through the STPIS Guideline sets x as 0.1 and y as 1.0.
- Other transmission network service providers (TNSPs) have different values:
 - All have x as 0.05.
 - Y varies from 0.20 to 0.40

TNSP	X	y
TasNetworks	0.10	1.00
Powerlink	0.05	0.40
Electranet	0.05	0.20
TransGrid	0.05	0.25
AusNet	0.05	0.30

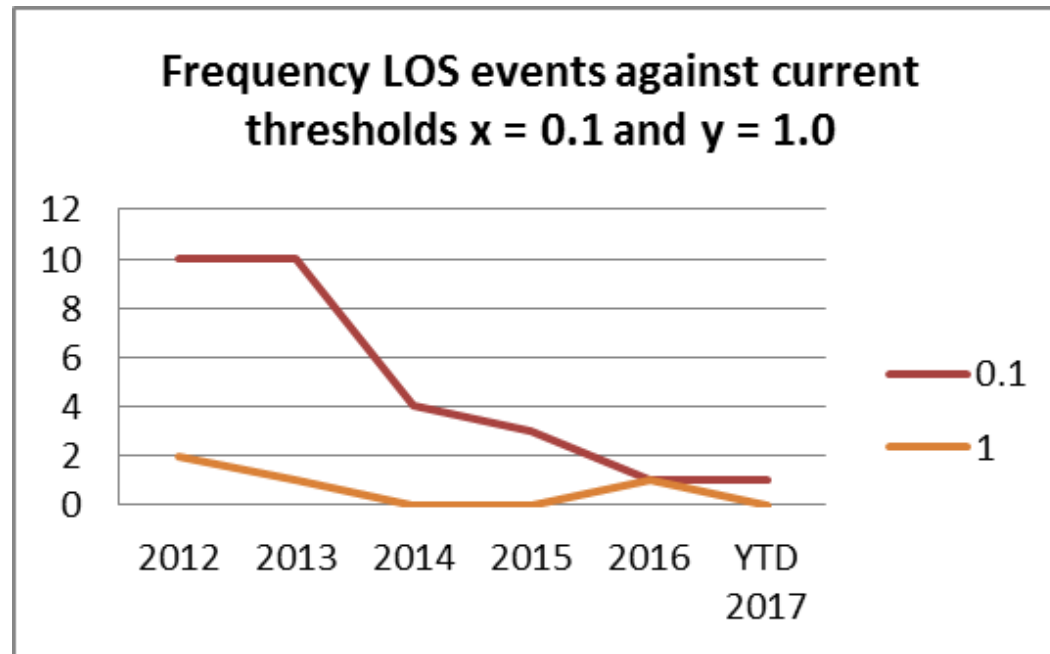
Targets

- The following table shows possible targets for various loss of supply (LoS) thresholds.
- Targets based on our current thresholds of 0.1 and 1.0 system minutes would be 4 and 0.4 (rounded to 1) respectively
- Targets are the average of annual results for the most recent 5 year period.
- 2017 figures are calendar year LEOY.

LEOY TasNetworks	No events for various thresholds						
Threshold X, Y =	0.05	0.1	0.2	0.3	0.4	0.5	1.0
2013	12	10	8	4	4	2	1
2014	5	4	3	3	2	2	0
2015	4	3	3	3	1	1	0
2016	2	1	1	1	1	1	1
LEOY 2017	2	2	2	1	1	1	0
Target (5 year av)	5	4	3.4	2.4	1.8	1.4	0.4

Recent LoS performance

- LoS performance has improved markedly over time to the extent that we now have few major and moderate events.
- TasNetworks' transmission network performance is now in line with other TNSPs
 - An excellent result given the relatively complex transmission network topology, dominance of large load points and previous performance.
- Past practice has been to adjust thresholds as service performance improves.



Customer feedback

Reset 19 customer feedback was:

- Sustained low cost is important for future forecasting and future viability.
- Greater risk to businesses if power is interrupted and although reliability is good, this is still a key focus.
- Positive feedback received in regards to how costs have remained stable over the past few years.

Should we change our thresholds?

We propose to reduce our LoS thresholds to $x = 0.05$ and $y = 0.4$ to:

- recognise the improvements in transmission performance over time;
- align with customer expectations to maintain costs and focus on reliability;
- provide TasNetworks with meaningful performance targets that provide positive incentive to maintain and improve performance sustainably; and
- align with other TNSPs.

We have asked a question regarding thresholds as part of our Directions and Priorities consultation paper.

Should we change the STPIS reporting periods?

- The reporting periods for the transmission and distribution service target performance incentive schemes (STPIS) do not currently align.
- Transmission results are for a calendar year basis while distribution results are measured on a financial year basis.
- We are seeking to align the reporting periods of the two STPIS schemes, as we believe that consistency in the schemes will provide a clearer link between our transmission and distribution service performance and customer pricing outcomes.

Seeking your feedback:

1. Do you support our proposed changes to the transmission STPIS LoS thresholds?
2. Is there any other information that would assist in informing your decision?
3. We are also seeking to change the reporting requirements from calendar to financial year, do you support this approach?