

Service Target Performance Incentive Scheme

The STPIS operates on a calendar year basis and is designed to provide performance incentives for electricity transmission network service providers to improve or maintain a high level of service for the benefit of participants in the National Electricity Market (NEM) and end users of electricity.

The latest version of the STPIS (Version 5) ¹ has three components:

- Service Component (SC) – which measures network reliability;
- Market Impact Component (MIC) – which aims to improve network availability at times of most importance to the market; and
- Network Capability Component (NCC) – which is designed to deliver improved capability from existing network assets to benefit customers and wholesale market outcomes.

In its next regulatory period, from 1 July 2017 to 30 June 2022, Powerlink will be subject to Version 5 of the STPIS. Accordingly Powerlink's STPIS proposal as part of its current Revenue Determination process is in accordance with the requirements of Version 5.

For further information on Version 5 of the STPIS, you can access a fact sheet via this [link](#).

AER's Draft Decision and Powerlink's Current Position

The following table summarises the AER's Draft Decision on Powerlink's STPIS proposal, Powerlink's current position on its response to the Draft Decision and outcomes.

	AER's Draft Decision	Powerlink's Current Position	Outcomes
SC	<ul style="list-style-type: none">• accepted all target, cap and floor values that Powerlink proposed as they were compliant with Version 5.	<ul style="list-style-type: none">• Powerlink will accept the decision.	<ul style="list-style-type: none">• Version 5 places greater emphasis on network reliability.• The Draft Decision provides stronger incentive for all SC sub-measures, consistent with Powerlink's Revenue Proposal.
MIC	<ul style="list-style-type: none">• accepted the methodology that Powerlink used to set the targets, but slightly reduced the target values by excluding some historic network constraint events.	<ul style="list-style-type: none">• After reviewing the AER's Draft Decision, Powerlink has concerns about the AER's application of the exclusion definitions under the MIC and will not accept parts of the AER's decision.	<ul style="list-style-type: none">• Version 5 of the scheme provides materially stronger incentives to deliver improvements in network availability, with the scheme now including a symmetrical bonus/penalty arrangement.• Powerlink's planned response to the AER's Draft Decision is focused on clarifying exclusion definitions, but will not materially change the lower MIC targets delivered through our Revenue Proposal.

¹. Final STPIS Version 5 (corrected), AER, October 2015.

	AER's Draft Decision	Powerlink's Current Position	Outcomes
NCC	<ul style="list-style-type: none"> accepted one of the three priority projects that Powerlink proposed: <ul style="list-style-type: none"> accepted Increase design temperature of two 275kV transmission lines. did not accept Greenbank system integrity protection scheme. did not accept Load model enhancement and validation. 	<ul style="list-style-type: none"> Powerlink is currently reviewing the projects and is considering whether to accept the AER's Draft Decision. Additionally Powerlink intends to raise concerns regarding the disproportionate bonus and penalty arrangements under the scheme, in particular when the quantum and value of priority projects is small. <p>Based on the AER's Draft Decision, Powerlink would be subject to a bonus of \$760k (based on 1.5 times project value) and a penalty up to \$27m (based on 3.5% of final regulatory year MAR).</p>	<ul style="list-style-type: none"> Stakeholder feedback indicated a strong preference for priority projects with relatively short, quantifiable payback periods. Powerlink's business-as-usual asset management practices resulted in very few opportunities to further improve network capability in our Revenue Proposal. The AER's Draft Decision removes most of the proposed expenditure on priority projects and related revenue.

Powerlink seeks feedback and input from the panel regarding the positions outlined above, and also any other aspects to consider regarding STPIS in our revised Revenue Proposal.