

Directlink Interconnector regulatory reset 2025 to 2030: Engagement Summary Report

Prepared for Directlink

January 2024



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Purpose of this report

This report outlines a summary of the stakeholder engagement activities that were undertaken by Directlink in the development of its revenue proposal for the Directlink Interconnector for the 2025 - 2030 regulatory period.

This report includes:

- Directlink's engagement approach in developing its revenue proposal for the Directlink interconnector
- A timeline of Directlink's engagement activities
- What was heard from stakeholders during the engagement activities and how Directlink has responded to this feedback in its revenue proposal
- A summary of the evaluation results from Directlink's engagement activities
- An overview of how Directlink has sought to meet the Australian Energy Regulator's (AER's) expectations on consumer engagement during the development of the revenue proposal
- Next steps for Directlink's stakeholder engagement on the Directlink Interconnector revenue proposal.

SEC Newgate has worked with Directlink as its engagement partner during the development of the Directlink Interconnector revenue proposal.

Further detail on the plans for the Directlink Interconnector are set out in the Directlink revenue proposal, which is available on the AER's website [here](#).





Directlink's engagement approach

Directlink's engagement approach

- Directlink's engagement approach for the development of the Directlink Interconnector revenue proposal was centred around a series of online stakeholder group meetings. A broad group of stakeholders was invited to each online meeting rather than having a dedicated smaller stakeholder advisory group. This approach was taken to enable more stakeholders to participate and to provide a more flexible approach for stakeholders in light of competing engagement processes in the energy sector.
- These online stakeholder group meetings were complimented with one-on-one meetings with stakeholders to enable deeper dives into specific issues and to provide greater flexibility for stakeholders in how engagement was undertaken.

Overview of the functions of the stakeholder group

The functions of the stakeholder group include, but are not limited to:

- Providing independent feedback and challenges to Directlink on the degree to which its revenue proposal addresses the needs and preferences of customers.
- Co-designing the engagement program, including scope, timing, themes and engagement activities.
- Inputting into the development of the revenue proposal and challenging key components including operating expenditure and capital expenditure.
- Assisting in improving Directlink's understanding of the needs and expectations of different customer segments, including vulnerable groups.
- Providing advice on engagement materials to ensure they are fit for purpose.

Organisations and stakeholders who attended the stakeholder group meetings

- Michael Lynch, Public Interest Advocacy Centre
- Craig Memery, Public Interest Advocacy Centre
- Gavin Dufty, St Vincent de Paul
- Maxi Victoria, Council of the Ageing NSW
- Pete Newman, Council of the Ageing NSW
- Marika Kontellis, Council of the Ageing NSW
- Bradley Vogel, Essential Energy
- Belinda Ackermann, Transgrid
- Simon Bartlett, Independent expert
- John Green, Council of the Ageing QLD
- Robyn Robinson, Council of the Ageing QLD
- David Haupt, Byron Shire Council
- Jennifer Brownie, Queensland Electricity Users Network
- Jennifer Brown, Cotton Australia
- Mark Grenning, Energy Users Association of Australia

A number of AER staff also attended the stakeholder group meetings as observers.

Directlink's objectives for engagement on the Directlink Interconnector revenue proposal were developed in consultation with stakeholders at a co-creation workshop held in August 2023.

- **'Brings the outside in'** by directly responding to the needs and preferences of its customers and other key stakeholders.
- **Provides sustainable returns** for shareholders and investors.
- **Delivers a reliable supply of electricity** between NSW and Queensland.
- **Supports the energy transition** in NSW and Queensland.





Directlink's engagement timeline

Engagement timeline

Directlink’s stakeholder engagement to support the development of the Directlink Interconnector revenue proposal occurred over August 2023 to January 2024. Outlined below is a summary of the key engagement activities and objectives.

<div>August 2023September 2023October 2023</div>					
Activity	Stakeholder Co-creation Workshop	Stakeholder Meeting 1: Future of Directlink	Meeting 1 with AEMO	Meeting 2 with AEMO	Stakeholder Meeting 2: Capital Expenditure
Engagement objectives	<ul style="list-style-type: none">To ensure stakeholders have a common understanding of the Directlink Interconnector and the subsequent plans to submit its revenue proposal.To reach a common understanding of the elements that will underpin Directlink’s engagement program.To identify the issues, priorities, customers and stakeholders that will be targeted through the engagement program.To create a well defined engagement plan that links issues and stakeholder engagement.	<ul style="list-style-type: none">To ensure stakeholders have a common understanding of the Directlink Interconnect or’s current and future challenges and benefits for customers.To identify the next steps for key issues relating to the future of the Directlink Interconnector, including on issues relating to:<ul style="list-style-type: none">The energy transitionFuture demandClimate change and resilienceTechnologyLabour and supply chainsEnd of life planning.	<ul style="list-style-type: none">To understand issues or concerns that AEMO has with the Directlink Interconnector’s outage duration and planning, including the impacts that it might have on the 2025-2030 regulatory period and beyond.	<ul style="list-style-type: none">To understand AEMO’s requirements for the Directlink Interconnector to support a black start scenario.	<ul style="list-style-type: none">To ensure all stakeholders have a common understanding of the background and context for decisions around the Directlink Interconnector’s capital expenditure.To seek stakeholder views on capital expenditure options for the 2025-2030 regulatory period in areas covering:<ul style="list-style-type: none">Safety and protectionAsset monitoringMajor maintenanceInsulated-gate bipolar transistorsSpares management.

Engagement timeline

October 2023

November 2023

Activity	Meeting 1 with the Energy Users Association of Australia (EUAA)	Meeting with Essential Energy	Stakeholder Meeting 3: Operating Expenditure, Capital Expenditure and Other Matters
Engagement objectives	<ul style="list-style-type: none"> To understand preferences, issues or concerns that the EUAA has with the Directlink Interconnector's proposed capital expenditure for the 2025 to 2030 regulatory period and beyond. 	<ul style="list-style-type: none"> To discuss and seek feedback on key aspects of the Directlink Interconnector's infrastructure, including: <ul style="list-style-type: none"> DC systems and converters AC communications infrastructure Ageing assets Underground AC cables. 	<ul style="list-style-type: none"> To update stakeholders on Directlink's progress and seek views on capital expenditure options. To inform stakeholders on the forecast regulated asset base, depreciation and return on capital for the 2025 – 2030 regulatory period. To seek stakeholder views on the proposed: <ul style="list-style-type: none"> operating expenditure capital expenditure sharing scheme cost pass throughs and pricing methodology for the 2025-2030 regulatory period. <p>A shorter supplementary stakeholder meeting was also held in mid-November for stakeholders who were unable to attend Stakeholder Meeting 3. This supplementary meeting focused on seeking views on capital expenditure options and the proposed operating expenditure for the 2025-2030 regulatory period.</p>

Engagement timeline

		November 2023		December 2023		January 2024		➔
Activity		Meeting 3 with AEMO	Meeting 2 with the EUAA	Meeting with Byron Bay Shire Council	Stakeholder Meeting 4: Overview of the revenue proposal	Review of the overview document for the revenue proposal		
Engagement objectives		<ul style="list-style-type: none">To understand the long-term future of the Directlink Interconnector (post 2042) with AEMO's Integrated System Plan Team, including its proximity to the New England Renewable Energy Zone and its potential to assist with voltage control in Northern NSW.	<ul style="list-style-type: none">To understand the preferences, issues or concerns that the EUAA has with the Directlink Interconnector's proposed capital and operating expenditure for the 2025 to 2030 regulatory period and beyond.	<ul style="list-style-type: none">To understand future projects for the Directlink Interconnector that may impact Byron Bay Shire Council's assets.	<ul style="list-style-type: none">To seek stakeholder feedback on the key elements of Directlink's revenue proposal.	<ul style="list-style-type: none">To seek stakeholder feedback on the draft overview of the revenue proposal ahead of its submission to the AER in late January 2024.		



What Directlink heard and how Directlink responded

What Directlink heard and how Directlink responded

Directlink focused its engagement on issues where stakeholders could have the greatest impact on the revenue proposal, where their opinion would genuinely influence and guide its revenue proposal.

Outlined below is what Directlink heard and how it has responded on the key issues discussed with, and raised by, stakeholders. Feedback from one-on-one meetings with stakeholders has also been incorporated into the summary below.

Meeting focus	What Directlink heard	How Directlink responded
Co-creation workshop	<ul style="list-style-type: none">Stakeholders sought clarification around how costs and risks are allocated to consumers for the Directlink Interconnector and indicated their interest in affordability and minimising customer risk.Among the stakeholder group, there was also interest in ensuring the Directlink Interconnector played a role in the Federal Government's objective of net zero by 2050 and the need to consider environmental impacts, including fire risk and climate resilience, in developing the revenue proposal.Some stakeholders suggested additional stakeholder groups to consult with such as biking groups, small farm holdings and other small communities that may be impacted by changes in the asset's infrastructure.Stakeholders highlighted concerns around increased vulnerability to supply chain issues particularly in the context of finding spare parts and staffing and labour force issues.Some stakeholders also indicated support for in depth engagement around the future of the Directlink Interconnector as part of the engagement process.Stakeholders broadly endorsed the proposed engagement objectives and mapping of issues for the revenue proposal.	<ul style="list-style-type: none">Directlink has noted concerns around energy affordability and has sought to clearly outline trade-offs between affordability, reliability and risk in discussing its capital and operating expenditure proposals with stakeholders.Directlink has considered the need to manage climate risk and resilience, with \$179,368 proposed to future protect against land slip risks, included in its revenue proposal.Vulnerability to supply chain issues and labour force issues were discussed with stakeholders in Meetings 2 and 3 as part discussions around proposed capital and operating expenditure.Directlink will continue to engage with a broad range of stakeholders as the AER assesses its revenue proposal.

What Directlink heard and how Directlink responded

Meeting focus	What Directlink heard	How Directlink responded
Meeting 1: Future of Directlink	<ul style="list-style-type: none">Stakeholders wanted to ensure that the continued reliability of the asset was a key priority for Directlink, noting increased concerns around cost pressures and labour shortages. Some stakeholders also asked whether key equipment, such as the control and protection system and remote terminal units, would remain fit for purpose until the end of the asset's life in 2042.Stakeholders showed strong interest in understanding the options for the Directlink Interconnector once it reaches its end of life in 2042 and what this looks like for consumers. Some stakeholders queried whether the asset would be needed until the end of its life, while other stakeholders queried whether the asset could be upgraded.In separate one-on-one stakeholder meetings, AEMO emphasised the criticality of the Directlink Interconnector, particularly as it is in an area of high demand and the energy system is becoming more unpredictable. AEMO also highlighted its preference for shorter outages on the Interconnector and the value it provides in managing voltage. AEMO also noted it continues to assume the Directlink Interconnector's ongoing presence in its ISP modelling.	<ul style="list-style-type: none">Directlink has noted the importance stakeholders place on reliability and has taken this into account in developing its capital expenditure plans, which were discussed in detail with stakeholders in Meetings 2 and 3.Directlink held a number of meetings with AEMO during the development of the revenue proposal to understand future demand for the Directlink Interconnector, with AEMO confirming the continued value the asset provides.Directlink will continue to consult with stakeholders on plans for the end of the asset's life over the coming years to understand their preferences. As outlined with stakeholders, Directlink expects the Interconnector's technology will be obsolete or sub-optimal by 2042. As a result, Directlink has included additional operating expenditure of \$4.7m in its revenue proposal to account for end-of-life restoration and rectification costs.

What Directlink heard and how Directlink responded

Meeting focus	What Directlink heard	How Directlink responded
Meeting 2: Capital expenditure	<ul style="list-style-type: none">• Some stakeholders asked about the future demand for the Directlink Interconnector and queried how the risk of outages would be managed.• One stakeholder noted they could understand the need for investment around land risk management. Another noted that the AER was best placed to make this assessment.• A number of stakeholders indicated it was unclear whether the proposed master controller project would be beneficial. One stakeholder noted their preference was to not proceed with this project while another stakeholder stated their interest in undertaking a feasibility study for the master controller.• Stakeholders were particularly interested in Directlink's approach to spares. Stakeholders emphasised the need for Directlink to make reasonable and prudent purchasing decisions, which considered the risk of stranded assets and the risk of costly upgrades if there were insufficient spares. Stakeholders also noted there was a need for further detail on spares and queried the potential risks around spares and opportunities for efficiencies.	<ul style="list-style-type: none">• To reduce the risk of outages and enable the Interconnector to reliably meet increasing demand, Directlink has included a total of \$33.8m in capital expenditure in its revenue proposal, which includes \$8.6m in major maintenance and \$12.5m for spares management. Directlink has also included operating expenditure for an apprenticeship program in its revenue proposal to manage labour force risks.• To better manage land slip risks, Directlink has included \$179,368 in capital expenditure in its revenue proposal.• In light of some stakeholder concerns around the master controller project, Directlink has included \$136,488 in capital expenditure to undertake a feasibility study of this project to assess its benefits and whether it should proceed.• Directlink provided further detail on its proposed capital expenditure and spares strategy for stakeholder feedback in Meeting 3. Directlink continues to undertake a critical spares assessment to determine what spares are required and will continue to engage with stakeholders in developing its spares strategy. The spares strategy will take into account the unique nature of many of the Directlink Interconnector's assets and the need for appropriate storage to ensure spares are kept in recommended conditions.

What Directlink heard and how Directlink responded

Meeting focus	Topic	What Directlink heard	How Directlink responded
Meeting 3: Capital Expenditure updates	Spares management – assets with long lead times	<ul style="list-style-type: none"> Some stakeholders noted the Directlink Interconnector is a critical asset for providing connection between NSW and Queensland. For this reason, most stakeholders were largely risk-averse and prioritised reliability, supporting Directlink's preference to buy enough spares to reach its end of life. However, some stakeholders raised concerns around affordability and the risk of buying too many spares, indicating a preference for Directlink to buy enough spares to cover expected lead times or enough to reach the end of the regulatory period (2030). 	<ul style="list-style-type: none"> Directlink will continue to develop its spares strategy and discuss its strategy with stakeholders through to the AER's Draft Determination. Directlink acknowledges the high level of importance placed on reliability by stakeholders as well as concerns around managing the risks of buying too many spares. Based on the views put forward by most stakeholders, Directlink's revenue proposal includes for assets with: <ul style="list-style-type: none"> Long lead times, a proposal to buy enough of some spares to reach the end of the Directlink Interconnector's life, with spares for other assets to be purchased based on lead times. A high risk of obsolescence, a proposal to buy enough spares to reach the end of the Directlink Interconnector's life. No change in sourcing and obsolescence risk, a proposal to buy enough spares to cover expected lead times or enough to reach the end of the regulatory period.
	Spares management – assets with high risk of obsolescence	<ul style="list-style-type: none"> Stakeholders were largely comfortable with Directlink's preference to buy enough spares to reach the end of the interconnector's life in light of the uncertainty around the future supply of these types of assets. However, one stakeholder noted their preference for Directlink to buy enough spares to reach the end of the regulatory period (2030) to limit the risk of buying too many spares. 	
	Spares management – assets with no change in sourcing and obsolescence risk	<ul style="list-style-type: none"> Stakeholders again expressed that the reliability of the asset is essential, noting having enough spares in stock is critical to this. Stakeholders were broadly comfortable with Directlink's proposal to buy enough spares to cover expected lead times or enough to reach the end of the regulatory period (2030). 	

What Directlink heard and how Directlink responded

Meeting focus	What Directlink heard	How Directlink responded
Meeting 3: Operating expenditure	<ul style="list-style-type: none">• Most stakeholders expressed support for the proposed operating expenditure step change in relation to labour resilience to better manage labour force risks.• Stakeholders noted that the end of life step change sounded logical and there was broad support for spreading the costs of the program across multiple years. However, some stakeholders noted consumers are still experiencing concerns around energy affordability. A stakeholder also noted the importance of ensuring the expenditure set aside for the end of life program was used for that purpose.• Stakeholders did not raise any concerns around the proposed step change for security of critical infrastructure.• One stakeholder queried the appropriate excess level for Directlink's insurance in relation to the insurance step change.• The stakeholder group was largely supportive of Directlink's draft forecast operating expenditure. However, it was emphasised that consumers are focused on reducing immediate financial burdens.	<ul style="list-style-type: none">• Directlink will continue to refine its forecast operating expenditure and will put forward one step change relating to the apprentice program to improve labour resilience and two category specific forecasts relating to insurance and end of life costs in its revenue proposal to reflect additional costs in these categories.• Directlink will continue to work with the AER on the proposed end of life costs, on ways to limit the impact on customers, provide certainty around how this expenditure will be used, and ensure the program is flexible as forecasts are refined.• Directlink is no longer proceeding with the step change on security of critical infrastructure as this expenditure will instead be incorporated into the base year costs.• Directlink remains focused on affordability and will continue to look for opportunities to limit proposed operating expenditure where possible.

What Directlink heard and how Directlink responded

Meeting focus	What Directlink heard	How Directlink responded
Meeting 3: Capital Expenditure Sharing Scheme (CESS) proposal for Insulated-Gate Bipolar Transistor (IGBT) project	<ul style="list-style-type: none">• There were a range of stakeholder views on Directlink's proposal to separate out the IGBT replacement project from the CESS due to contractual changes by the manufacturer.• One stakeholder noted that Directlink's CESS proposal was reasonable as the ability of Directlink to manage the risk around changes in the IGBT contract were outside of its control. There were concerns from some stakeholders around setting precedents for other network businesses and the risks of weakening the incentives under the CESS for managing capital expenditure allowances.• Other stakeholders also noted the complexity of this issue and noted the AER was best placed to make the decision on how the IGBT project should be treated under the CESS.	<ul style="list-style-type: none">• Directlink acknowledges the complexity of this issue and the CESS and the risks of setting precedents for other network businesses.• Directlink has put forward a proposal to separate out the IGBT replacement project from the CESS in its revenue proposal due to its limited ability to manage contractual changes by the manufacturer.• Directlink will continue to discuss this proposal with the AER and consider any ways it could limit similar risks from occurring in the future.

What Directlink heard and how Directlink responded

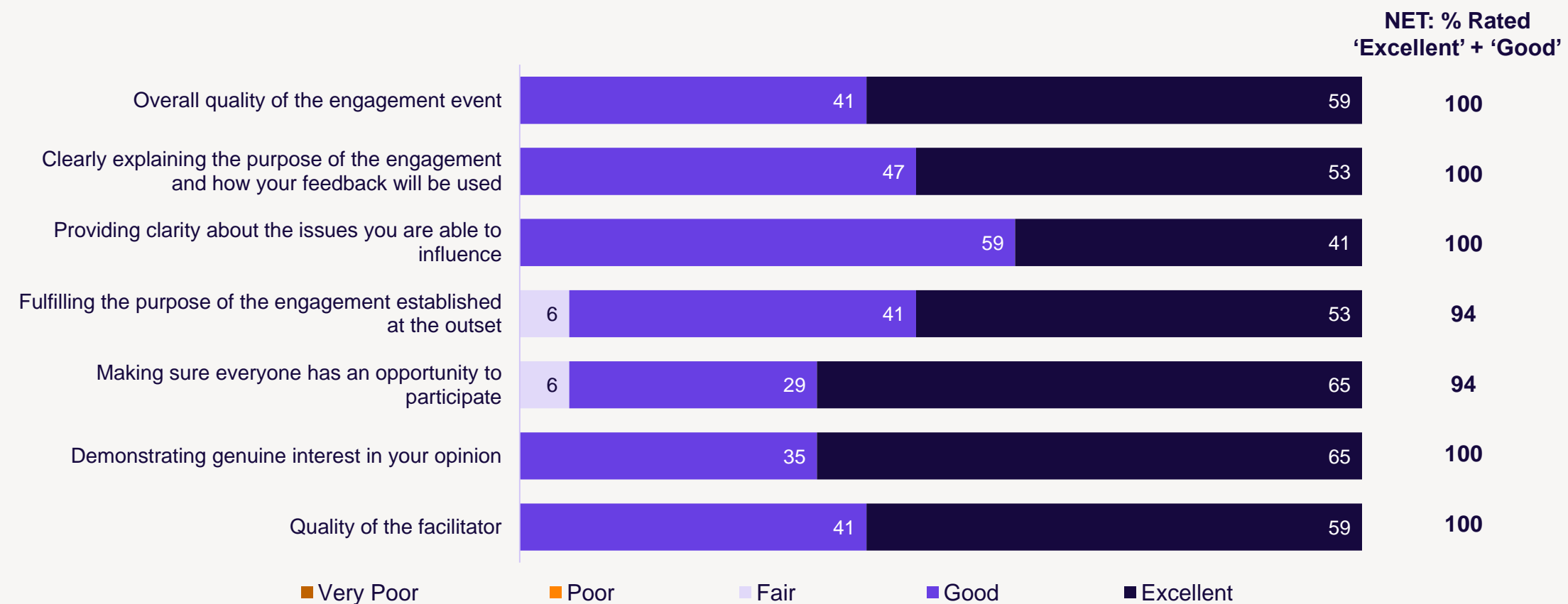
Meeting focus	What Directlink heard	How Directlink responded
Meeting 4: Overview of the revenue proposal	<ul style="list-style-type: none">Stakeholders expressed a high level of interest in the detail of Directlink's spares strategy. One stakeholder raised concerns about the ongoing need for the Directlink Interconnector and the risk that consumers will be paying for spares that won't be used until future regulatory periods. However, another stakeholder was supportive of Directlink's spares proposal and noted there needs to be enough spares purchased to account for unforeseen breakdowns.With regards to the Directlink Interconnector's end of life, one stakeholder noted end of life costs will need to be updated over time, while another stakeholder noted depreciation costs will need to reflect the asset's remaining life. Another agreed that it was reasonable that current consumers would contribute to end of life costs.In relation to insurance, one stakeholder was particularly concerned around affordability and was interested in what Directlink was doing to reduce insurance costs for consumers. Other stakeholders noted there are ongoing increases in insurance costs and that reducing insurance costs for consumers may result in higher risks.	<ul style="list-style-type: none">Directlink acknowledges the importance of striking the right balance between affordability and reliability in its approach to spares. Directlink will continue to engage with stakeholders to seek their feedback as it further develops its spares strategy.Directlink understands the end of life program is a significant new annual cost, however these costs will continue to increase if this cost is further delayed to after 2030. As a result, Directlink has included end of life costs in its revenue proposal. Directlink will continue to investigate and refine end of life costs as the Directlink Interconnector get closer to its end of life.Directlink understands affordability is a key concern for many consumers. While a number of factors affecting the forecast increase in the Directlink Interconnector's revenue for 2025 to 2030 are outside of Directlink's control, such as insurance costs and higher interest rates, Directlink is taking steps to support long term affordability for consumers. This includes:<ul style="list-style-type: none">Reducing the risk of needing to undertake costly system upgrades by buying enough spares to reach the end of the Directlink interconnector's life for assets which have a high risk of obsolescence.Undertaking a feasibility study on the master controller project to assess benefits and whether it should proceed, rather than putting forward the project for the 2025 to 2030 period.Reducing the risk of bill shock for consumers by smoothing end of life costs over multiple regulatory periods.Improving the Directlink Interconnector's resilience to extreme weather events and reducing the risk of significant repair costs through capital expenditure to upgrade land slip management.



Stakeholder evaluation results

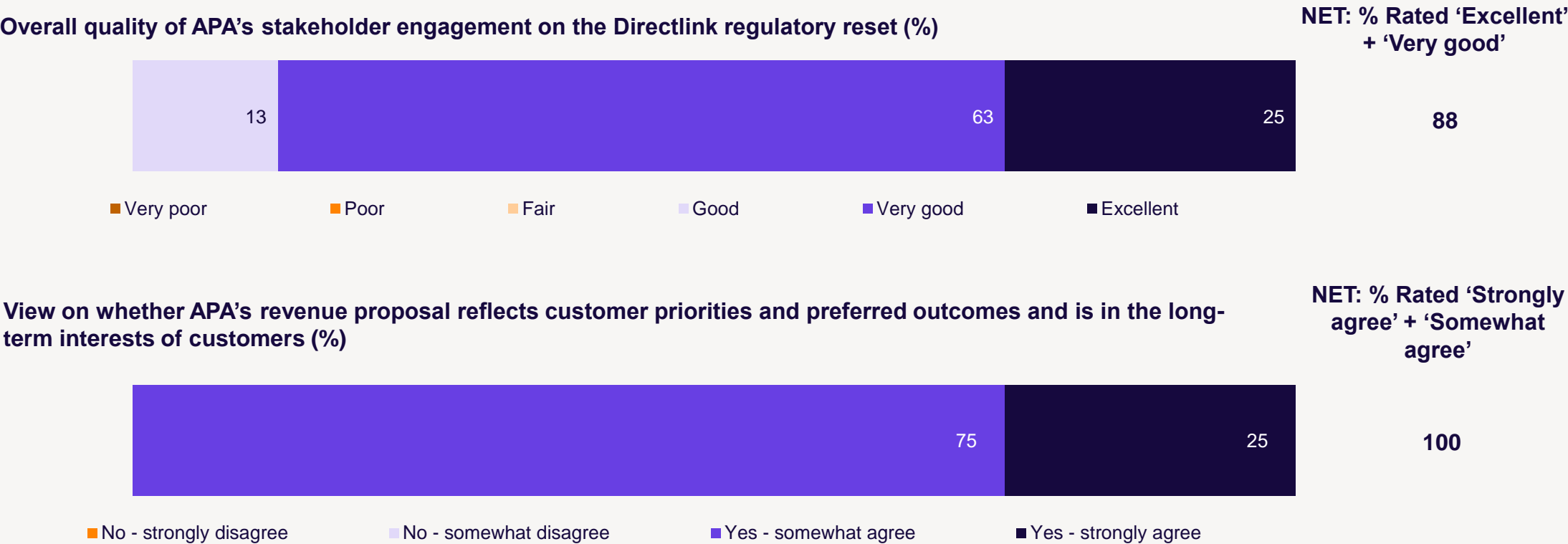
Evaluation results: Total results across all meetings

Independent evaluation surveys were sent out to stakeholders after each of the six stakeholder group meetings held between August and December 2023. Across the meetings, almost all stakeholders rated Directlink’s performance across all aspects as either ‘excellent’ or ‘good’, with the exception of two ‘fair’ ratings seen below.



Evaluation results: Overall engagement and revenue proposal

Stakeholders were asked in December 2023 and January 2024 on their views on APA's overall stakeholder engagement and whether they considered APA's revenue proposal reflective of customer priorities. Majority of stakeholders rated the overall quality of APA's stakeholder engagement on the Directlink regulatory reset as 'very good' or 'excellent' while all stakeholders 'somewhat agree' or 'strongly agree' that APA's revenue proposal reflects customers' priorities and preferred outcomes.



Note: Numbers may not add to 100% due to rounding

Feedback from attendees following stakeholder group meetings



"Clear explanations aided by useful graphics"

-Participant from Stakeholder Meeting 2



"I valued the approach of describing the "building blocks" of the proposal...the explanations of the various items in the plans were appreciated"
- Participant from Stakeholder Meeting 4



"Keep up the good work and just keep asking"

- Participant from Stakeholder Meeting 2



"I appreciated having a balance of background about [Directlink] itself plus the intended consultation activities and time frame. Having the presentation slides ahead of time was also appreciated"

- Participant from the Co-creation workshop



"Good clear information on the aims and then on the substantive issues. Good use of time. Good time management"

- Participant from Stakeholder Meeting 1



"Generous to offer the make up session after I was unable to attend the original. Great timing – balancing provision of information and space for questions, discussion, and input from stakeholders"

- Participant from Supplementary Stakeholder Meeting 3



"Kept to a tight schedule but time to ask questions. However, if there were more stakeholder participants this would have been a real challenge in two hours"

- Participant from Stakeholder Meeting 3



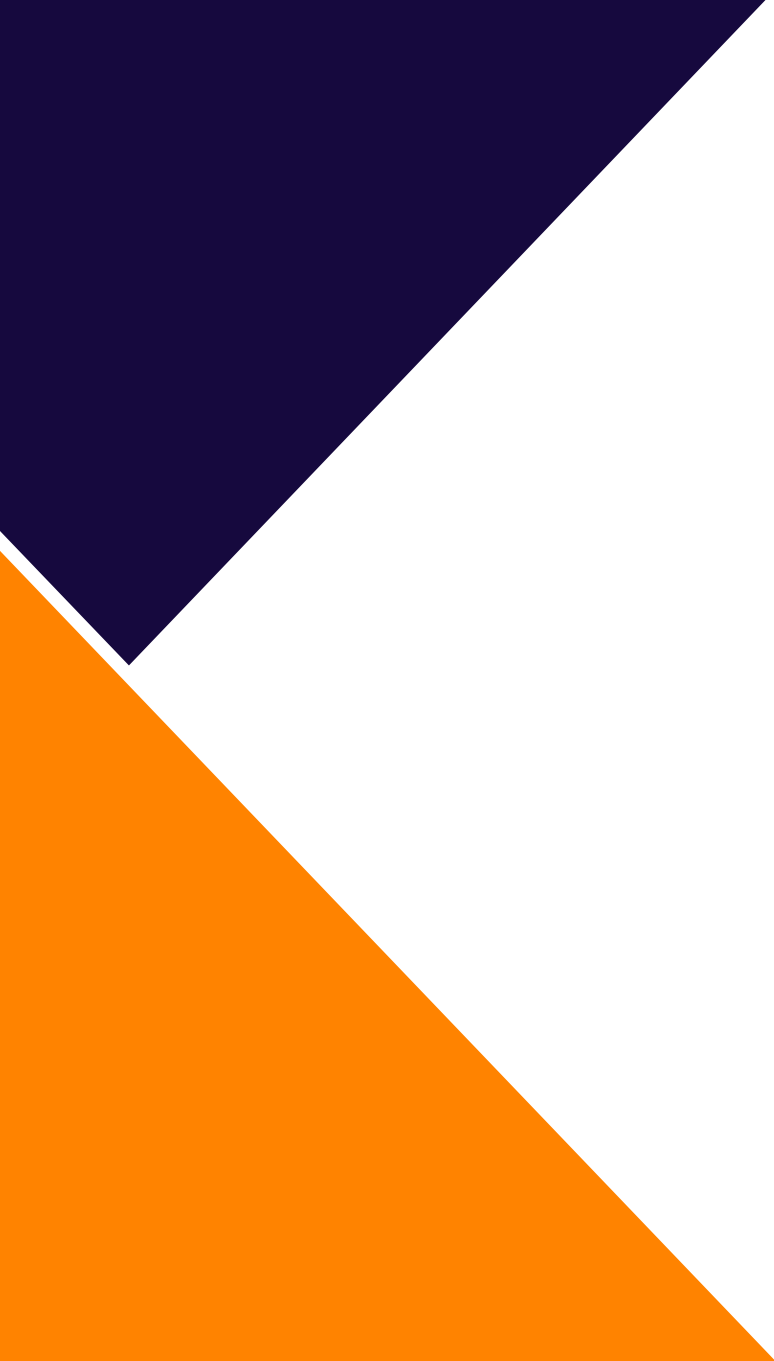
"Some personalities ask more questions than others, the facilitator might need to manage these well informed but strong personalities. Noting the offer of out of session discussion was also made"

- Participant from the Co-creation workshop



"The spares strategy is the area that was interesting and although not finalised as Directlink is still waiting on supplier information, some preliminary insights would have been helpful"

- Participant from Stakeholder Meeting 4



Alignment of consumer engagement against the AER Better Resets Handbook expectations

Alignment against the AER's Better Resets Handbook

The AER released its Better Resets Handbook in December 2021. It seeks to encourage energy network businesses to “better engage and have consumer preferences drive the development of regulatory proposals”.

- The Handbook sets out the AER's expectations on consumer engagement, which focus on the:
 - nature of engagement
 - breadth and depth of engagement
 - clearly evidenced impact of this engagement.
- For each of these three expectations, there are a number of components setting out further detail on how the AER considers these expectations could be demonstrated.
- Directlink's engagement on the Directlink Interconnector revenue proposal has been guided by the AER's expectations.
- We have set out how Directlink has sought to meet each of the AER's expectations on consumer engagement during the development of its revenue proposal.



Alignment against the AER's Better Resets Handbook

AER Expectation: Nature of engagement	How Directlink's engagement approach meets this expectation
Sincerity of engagement	<ul style="list-style-type: none">• Directlink senior staff attended all stakeholder group meetings, with a General Manager presenting at each meeting.• Stakeholders were also encouraged to contact Directlink staff directly with any follow-up questions at each stakeholder group meeting, with Directlink holding further meetings and answering questions with a range of stakeholders.• On the evaluation measure of “displaying genuine interest in your opinion”, 100% of stakeholders rated Directlink as ‘good’ or ‘excellent’.
Consumers as partners	<ul style="list-style-type: none">• Directlink set up the stakeholder group meetings on the principle of co-design, with a co-design workshop held in August 20223 to collaboratively co-design the development and implementation of Directlink's engagement plan for the Directlink Interconnector revenue proposal.• Directlink and stakeholders discussed and mapped the core issues and priorities for engagement at the co-design workshop, which set the basis for Directlink's engagement program.• Feedback from each stakeholder group meeting also fed into the discussion topics and materials for each following meeting.• Stakeholder views have directly guided Directlink's position in its revenue proposal and this level of engagement can be considered on the 'collaborate' level of public participation on the IAP2 spectrum. In the case of decisions relating to Directlink's spares strategy and categorising how different asset categories should be treated under the spares strategy, these decisions were determined on the 'empower' level of public participation on the IAP2 spectrum as Directlink implemented what the majority of stakeholders preferred.

Alignment against the AER's Better Resets Handbook

AER Expectation: Nature of engagement

How Directlink's engagement approach meets this expectation

Equipping consumers

- To enable as many stakeholders to participate in stakeholder meetings as possible, a broad group of stakeholders were invited to each stakeholder meeting and all meetings were held online.
- Meeting materials and meeting minutes were sent out to all stakeholders in the stakeholder group to help stakeholders keep across meeting topics and outcomes where they had been unable to attend a particular meeting.
- Stakeholders were provided with meeting materials generally a week ahead of meetings to facilitate their engagement at the stakeholder meetings.
- Senior Directlink staff presented at each stakeholder meeting. Where questions were taken on notice, answers were sourced from relevant subject matter experts for Directlink and written responses were provided to stakeholders.
- Remuneration was offered to all stakeholders attending the stakeholder meetings to support their participation.
- **On the evaluation measures of “making sure everyone has an opportunity to participate”, 94% of stakeholders rated Directlink as ‘good’ or ‘excellent’.**

Alignment against the AER's Better Resets Handbook

AER Expectation: Nature of engagement

How Directlink's engagement approach meets this expectation

Accountability

- Detailed minutes for each stakeholder meeting were recorded and sent to all stakeholders.
- After each stakeholder meeting, stakeholders were asked to complete an independent evaluation survey. The outcomes from each these surveys were shared at the next stakeholder meeting and Directlink provided a response on how the feedback would be adopted. Evaluation results from the stakeholder meetings are detailed in this report.
- During the December stakeholder meeting, Directlink outlined how it intends to respond in its revenue proposal to the stakeholder feedback provided on key issues. Further detail on Directlink's response to stakeholder feedback from each stakeholder meeting is outlined in this report and in Directlink's overview of its revenue proposal.
- **On the evaluation measure of “fulfilling the purpose of the engagement established at the outset”, 94% of stakeholders rated Directlink as ‘good’ or ‘excellent’.**

Alignment against the AER's Better Resets Handbook

AER Expectation: Breadth and depth of engagement

How Directlink's engagement approach meets this expectation

Accessible, clear and transparent engagement

- Regular meetings were held with stakeholders to refine thinking on issues, particularly in relation to the proposed capital expenditure and spares strategy.
- At each stakeholder meeting, the objectives for engagement and details on how feedback would be used by Directlink were set out.
- Details of the proposed topics for stakeholder meetings were also set out at the beginning of engagement at the co-creation workshop to provide clarity and transparency around Directlink's engagement plans.
- **On the evaluation measures of:**
 - **"Clearly explaining the purpose of engagement and how your feedback would be used", 100% of stakeholders rated Directlink as 'good' or 'excellent'.**
 - **"Providing clarity on the issues you are able to influence", 100% of stakeholders rated Directlink as 'good' or 'excellent'.**
 - **"Overall quality of the engagement event", 100% of stakeholders rated Directlink as 'good' or 'excellent'.**
 - **"Overall quality of stakeholder engagement on the Directlink regulatory reset", 100% of stakeholders rated Directlink as 'good', 'very good' or 'excellent'**

Alignment against the AER's Better Resets Handbook

AER Expectation: Breadth and depth of engagement

How Directlink's engagement approach meets this expectation

Consultation on desired outcomes, then inputs

- Directlink's engagement program commenced with a co-design workshop with the stakeholder group which mapped issues for the revenue proposal based on stakeholders' ability to influence under the IAP2 spectrum and the impact on maximum allowed revenue and customer risk outcomes.
- Following the co-design workshop, Directlink held a stakeholder meeting on the future of the Directlink Interconnector, which focused on the key issues and risks for the asset until the end of its life in 2042, with stakeholder views sought on long term issues such as future demand and the energy transition, climate change, technology changes, supply chain and labour vulnerabilities, and end of life planning.
- The feedback from stakeholders at the co-design workshop and the future of the Directlink Interconnector stakeholder meeting was then used in the development of materials for subsequent stakeholder meetings which covered forecasts of inputs like capital and operating expenditure.
- Stakeholders were also consulted in detail on Directlink's proposed spares strategy for the Directlink Interconnector which will have long term impacts beyond the next regulatory period.
- Directlink will continue to engage with the stakeholder group following the submission of the revenue proposal and seek their views as the proposal is assessed.

Multiple channels of engagement

- Online stakeholder meetings were held, with a broad range of stakeholder invited to each meeting.
- These stakeholder meetings were complemented with one-on-one meetings where deeper dives into issues were needed or where stakeholders were unable to attend the stakeholder meetings.
- Stakeholders were also encouraged to suggest any other stakeholders to Directlink who may have an interest in engaging on the Directlink Interconnector revenue proposal.

Alignment against the AER's Better Resets Handbook

AER Expectation: Breadth and depth of engagement

How Directlink's engagement approach meets this expectation

Consumers' influence on the proposal

- Directlink's engagement program commenced with a co-design workshop with the stakeholder group which mapped issues for the revenue proposal based on stakeholders' ability to influence under the IAP2 spectrum and the impact on maximum allowed revenue and customer risk outcomes. This issues map helped to guide Directlink's engagement program and which issues to focus on with stakeholders.
- Directlink had regard to the level of information stakeholders would require to support their engagement. For instance, further detail was provided on capital expenditure options over a series of meetings.
- Each session within each meeting also outlined the objective of engagement and what level of influence consumers would have on the relevant topic.

Alignment against the AER's Better Resets Handbook

AER Expectation: Clearly evidenced impact of this engagement

How Directlink's engagement approach meets this expectation

Proposals linked to consumer preferences

- This report sets out how Directlink has responded to consumer preferences in its proposal, with details also included in Directlink's overview of the revenue proposal. Directlink also outlined how it has responded to stakeholder feedback at its December stakeholder meeting.
- In particular, feedback from stakeholders on Directlink's proposed capital expenditure, operating expenditure and the Capital Expenditure Sharing Scheme have been incorporated into its revenue proposal.

Independent consumer support for the proposal

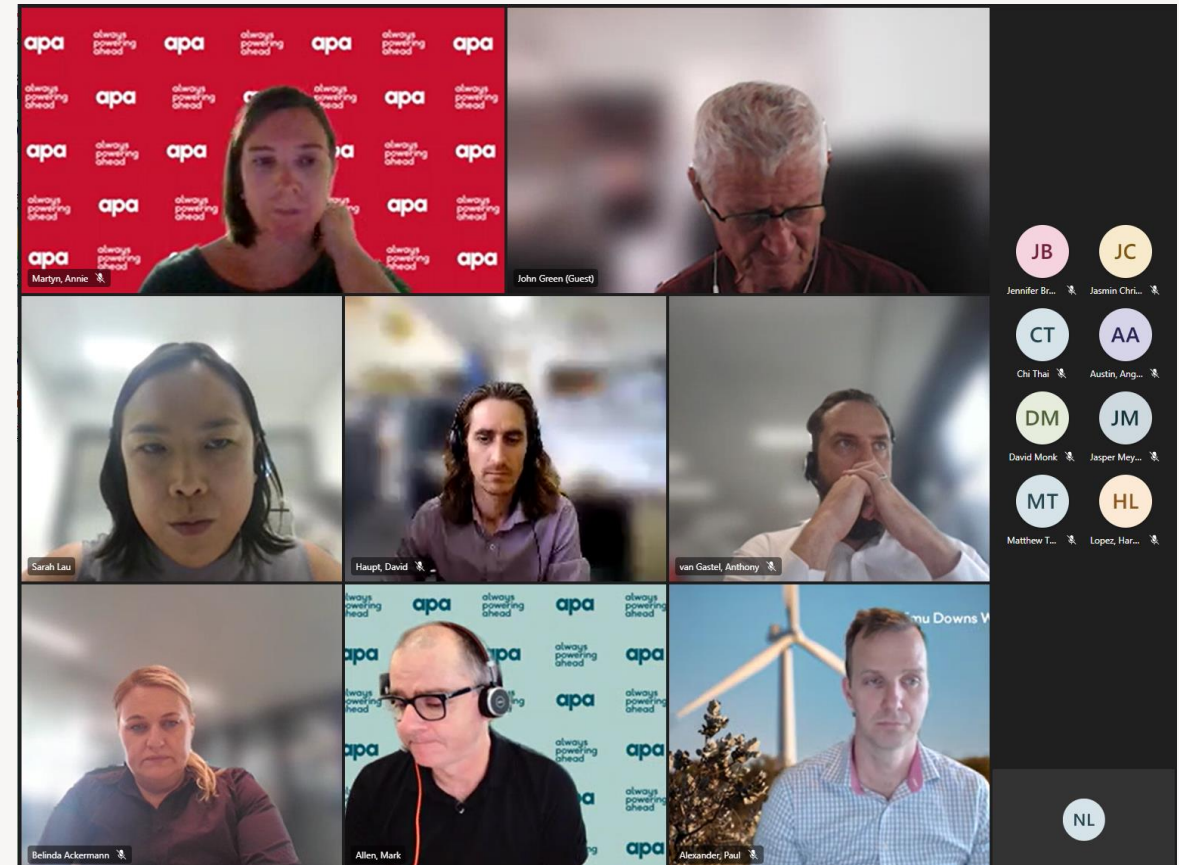
- Directlink has worked closely with the stakeholder group on the development of its revenue proposal to improve the likelihood of the proposal reflecting consumer preferences and stakeholders being able to provide independent support for the proposal.
- Stakeholders discussed the key elements of the revenue proposal at the December stakeholder meeting (Meeting 4).
- The stakeholder group were also provided with a draft of the overview of the revenue proposal for review and feedback in early January 2024 ahead of its submission to the AER.
- Following the December stakeholder meeting and the provision of the overview of the revenue proposal, stakeholders were asked about their views on the revenue proposal, with 100% of stakeholders indicating they 'somewhat agree' or 'strongly agree' the proposal reflects customers' priorities and preferred outcomes and is in the long-term interests of customers.



Next steps for stakeholder engagement

Next steps for stakeholder engagement

- Directlink will submit its revenue proposal for the Directlink Interconnector to the AER for consideration and assessment by 30 January 2024.
- As part of the AER's assessment process, the AER will publish an issues paper, hold a public forum and invite public submissions on Directlink's revenue proposal in March/April 2024.
- Directlink welcomes consumer and stakeholder feedback on its revenue proposal.
- Directlink will continue to engage with stakeholders throughout the AER's assessment process to understand their views and feedback on the revenue proposal. This will include holding further stakeholder group meetings following the submission of the revenue proposal.
- Submissions on Directlink's revenue proposal will be considered by the AER before it publishes a draft decision on the revenue proposal in September 2024.
- Directlink will then submit a revised revenue proposal in response to the AER's Draft Determination in December 2024 for public submissions.
- A final decision by the AER on the revenue proposal is expected in April 2025, with new regulated prices to commence from 1 July 2025.



Online Stakeholder Meeting 3