



# Directlink and Murraylink

Electricity Transmission Ring Fencing  
2023 Annual Compliance Report

April 2024

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## Acknowledgement of Country

We acknowledge the Traditional Owners and Custodians of the land on which our assets are operated and maintained.

We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present. We commit to ensuring Directlink and Murraylink operate in a fair and ethical manner that respects First Nations peoples' rights and interests.



# 1 Overview

The Directlink Joint Venture (**Directlink**) and Murraylink Transmission Company Pty Ltd (**Murraylink**) provide transmission services in the National Electricity Market.

Both Directlink and Murraylink are registered as Transmission Network Service Providers (**TNSPs**) under the National Electricity Law.<sup>1</sup>

Directlink and Murraylink must comply with the Australian Energy Regulator's (**AER**) Ring-fencing Guideline for Electricity Transmission (Version 4) that was published by the AER on 1 March 2023 (**the Guideline**).

Clause 6.2.1 of the Guideline requires a TNSP to submit to the AER an annual ring-fencing compliance report.

This document sets out Directlink and Murraylink's annual compliance report for the 2023 calendar year (**Compliance Report**).

This Compliance Report sets out:

- that Directlink and Murraylink have not breached the Guideline during the reporting period (see Section 4)
- that Directlink and Murraylink do not provide any services beyond transmission services (see Section 5)
- the purpose of all transactions between:
  - Directlink and APA Group (**APA**), and
  - Murraylink and APA (see Section 6)
- the measures Directlink and Murraylink have taken to ensure compliance with their obligations (see Section 7)

Directlink and Murraylink, which are both High Voltage Direct Current (**HVDC**) interconnectors, employ no staff. APA is the operator of both these assets under a long term services agreement.

APA, on behalf of Directlink and Murraylink, has established internal processes to ensure compliance with the Guideline and has prepared this Compliance Report.

As required under clause 6.2.1(c) of the Guideline, Directlink and Murraylink, have engaged a qualified independent authority to assess Directlink and Murraylink's compliance with the Guideline. A report from the independent authority has been submitted to the AER along with this Compliance Report.

Any questions about this Compliance Report can be directed to [ringfencing@apa.com.au](mailto:ringfencing@apa.com.au)

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<sup>1</sup> Directlink (No. 1) Pty Limited ABN 85 085 123 468, Directlink (No. 2) Pty Limited ABN 87 095 439 222, and Directlink (No. 3) Pty Limited ABN 86 095 449 817 trading as Directlink Joint Venture is registered with the Australian Energy Market Operator (AEMO) as the TNSP for Directlink; Murraylink Transmission Company Pty Ltd is the registered TNSP for Murraylink.

## 2 Directlink and Murraylink’s operating environment

The Murraylink and Directlink TNSPs are different to the five jurisdictional TNSPs that are responsible for managing the transmission network in each of the National Electricity Market’s (NEM) five jurisdictions.

In contrast to the registered electricity Distribution Network Service Providers (DNSPs), which are a relatively homogenous group of businesses which provide a very similar set of distribution services, the TNSPs do not have the same homogeneity.

As can be seen from table 1 below, the five jurisdictional TNSPs are medium to large businesses, with an average annual opex of around \$120m.

Directlink and Murraylink, on the other hand, are much smaller TNSPs and have a much smaller operating budget (around \$5 million per annum).

Table 1: 2022 Annual opex of TNSPs in the NEM (Source: AER Network Performance Data, Directlink and Murraylink Regulatory Accounts 2022)

TNSP	Annual opex (\$2022)
Powerlink	\$210m
Transgrid	\$189m
AusNet	\$83m
ElectraNet	\$102m
TasNetworks	\$33m
Directlink	\$5.0m
Murraylink	\$4.4m

The AER recognises that the difference in the operating environments of the TNSPs means there is less risk of discriminatory behaviour, and associated harm to competition, from TNSP behaviour, compared to that of electricity Distribution Network Service Providers.<sup>2</sup>

The Directlink and Murraylink interconnectors have additional characteristics that mean they are not subject to the same ring-fencing risks as larger, jurisdictional TNSPs:

- Size and location:** Murraylink and Directlink are much smaller assets than the jurisdictional TNSPs: Directlink is 63km long and Murraylink is 180km. For some TNSPs, there may also be very limited opportunity to discriminate, given the size and characteristics of the transmission asset. The AER identified this possibility in its draft Revenue determination guideline for NSW contestable network projects. The AER noted that because some network operators operate in a limited network area that is not directly connected to the regional reference node, this is likely to result in a lower risk of harm to

<sup>2</sup> AER, *Ring-fencing Guideline Electricity Transmission Issues Paper*, May 2022, p25

electricity customers.<sup>3</sup> Neither Directlink or Murraylink are connected to the local reference node for the purposes of the NEM dispatch engine, resulting in a lower risk of discrimination from the actions of Directlink or Murraylink.

- **Control:** AEMO determines the utilisation of Directlink and Murraylink and decides how much of, and how often, Murraylink's and Directlink's capacity is dispatched. Constraining, or otherwise limiting, the amount of energy that can flow across an interconnector is one of the potential ways that discriminatory behaviour can occur. This risk is negligible for Directlink or Murraylink given that AEMO controls their operation.
- **HVDC systems:** Both Directlink and Murraylink use HVDC to transmit energy, in contrast to the more common alternating current (**AC**) systems. This means that both Directlink and Murraylink are very unlikely to have generation assets connected to them. This eliminates the risk of discrimination in the provision of contestable connections for generators or load.

Unlike small distribution networks, Murraylink and Directlink are not able to apply for an exemption from the requirement to register as a TNSP with AEMO.

Murraylink and Directlink are therefore required to submit a Compliance Report under the Guideline.

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<sup>3</sup> AER, *Draft Revenue determination guideline for NSW contestable network projects*, May 2022, p26

### 3 Transitional arrangements

The Guideline commenced operation on 1 March 2023. This is the first Compliance Report submitted by Directlink and Murraylink under the Guideline.

The Guideline allows TNSPs a period of up to 12 months to comply with the Guideline, with immediate compliance required for:

- reporting breaches within 15 business days
- entering into any new or materially varied agreements relating to the leasing of excess battery capacity
- annual compliance reporting for the period from 1 March 2023 to 31 December 2023 (**Reporting Period**). This report must be submitted to the AER by 30 April 2024.

Throughout the Reporting Period, Directlink and Murraylink have implemented compliance activities as described in Section 8.3 Table 2. As at 31 December 2023, Directlink and Murraylink were finalising implementation of internal controls associated with clause 4.2.1 *Protection of Ring-fenced Information*.

#### *Statement of Compliance*

Directlink and Murraylink are compliant with the Guideline as at and for the Reporting Period ended 31 December 2023.

## 4 Breaches of the Guideline

Directlink and Murraylink had no breaches of the Guideline during the Reporting Period.



## 5 Other services provided by Directlink and Murraylink

Under clause 3.1(b) of the Guideline, a TNSP may provide transmission services but must not provide other services.

Directlink and Murraylink provide transmission services and do not provide other services.

## 6 The purpose of transactions between Directlink and Murraylink and APA

Clause 6.2.1(b)(iv) of the Guideline requires a TNSP's Compliance Report to describe the purpose of all transactions between the TNSP and an affiliated entity.

APA owns 19.9% of Energy Infrastructure Investments Pty Ltd (**EII**), which is the 100% shareholder of both Directlink and Murraylink. APA is therefore an affiliated entity for the purposes of the Guideline.

EII's other shareholders are MM Midstream Investments Pty Ltd (49.9%) and Osaka Gas Energy Oceania Pty Ltd (30.2%).

In December 2008, EII entered into an agreement with APA for the provision of asset management, operating, maintenance, capital and commercial services to the EII assets (including Directlink and Murraylink).

This agreement was for an initial term of seven years but has been extended on two occasions for an additional 5 years (i.e., until December 2025). The terms of this agreement are set out in the Management, Operations and Maintenance and Commercial Services Agreement (**MOMCSA**) and a copy of the contract has previously been provided to the AER on a confidential basis.

The services that APA is required by the MOMCSA to provide EII include:

- all asset management, operations, maintenance and capital services required for the safe and efficient operation of the asset, including compliance with regulatory obligations. The types of asset management, operating, maintenance and capital services that APA is required to provide under the agreement are set out in Schedule 2 of the MOMCSA; and
- all administrative, accounting and other business functions that EII is required to perform, including in compliance with legal and regulatory obligations, for each of its assets (including Directlink and Murraylink). The types of commercial services that APA is required to provide under the agreement are set out in Schedule 3 of the MOMCSA.

Details of these agreements have previously been provided to the AER as part of Directlink and Murraylink's five yearly revenue determination processes.<sup>4</sup>

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<sup>4</sup> Directlink Joint Venture, *Outsourcing Arrangements, 2025-30 Revenue Proposal*; Murraylink Transmission Company, *Outsourcing arrangements and margins*, January 2022

## 7 How Directlink and Murraylink ensure compliance with the Guideline

APA, on behalf of Directlink and Murraylink, has undertaken a wide range of activities to ensure compliance with the Guideline. These activities form part of APA's wider Compliance and Risk Management framework.

### 7.1 *Updating the ring-fencing policy, standard and procedure*

Ring fencing is not new to APA. Given its portfolio of regulated gas pipelines, APA has complied with ring fencing obligations under the National Gas Law for many years. APA also has ring fencing obligations for its gas and electricity assets in Western Australia.

APA has an existing suite of ring fencing policies and procedures that all APA staff must abide by. These documents include:

- **Ring fencing policy** – sets out APA's approach to ring fencing including the principles, roles and responsibilities of individuals within the business
- **Ring fencing standard** – sets out what behaviours and processes are required to comply with ring fencing obligations
- **Ring fencing procedure** – contains the detailed processes and procedures that support ring fencing compliance

These documents were updated in 2023 following commencement of the Guideline and are in the process of being updated again following APA's November 2023 acquisition of the Alinta Pilbara Energy business.

### 7.2 *Internal communication and training*

Since the commencement of the Guideline in March 2023, various activities have been undertaken to ensure compliance:

- Regular ring fencing updates to the Executive Policy Committee and the Monthly Policy Forum
- Creation of a new staff intranet page with a clear process for the reporting of any suspected breaches
- Updating of existing ring fencing training modules
- Publishing of required registers on a new external webpage and creation of a new ring fencing contact point at APA
- Within APA's existing compliance framework, new controls have been identified and allocated to the appropriate person within APA (see Section 7.3)

### **7.3** *New ring-fencing controls*

Leveraging its existing compliance management system, APA has conducted a detailed process to identify, implement and assign new ring fencing controls to individuals.

Assigning ring fencing controls to individuals across the organisation drives a culture of compliance and ensures that all ring fencing obligations have a clear and single owner.

The controls in question have been implemented within APA's internal compliance system, Vigilant. The controls have also been assigned to individuals who are responsible for ensuring compliance and attesting on an annual basis that the controls are effective and the obligations are complied with.

Table 2: APA Ring-fencing compliance controls

Obligation	APA controls	Implementation status as at 31 December 2023
<b>3.1 Legal separation</b>	<p>CTRL_000754 - The new corporate entity registration process takes ring-fencing compliance into account, including the appropriate appointment of directors</p> <p>CTRL_011374 - Any new or varied agreement between a TNSP and a service provider requires that the service provider complies with the non-discrimination, staff sharing and information access obligations as if the service provider was the TNSP. Ring-fencing related clauses are included in legally approved templates used for procurement.</p> <p>CTRL_011377 - A process exists to ensure that a TNSP will not enter into a new agreement or agree to a material variation to an existing agreement where the agreement grants another legal entity the right to use any energy storage device which is owned, operated or controlled by the TNSP, unless it is for the sole purpose of providing that TNSP with network support services.</p>	Fully implemented
<b>3.2.1 Separate accounts</b>	<p>CTRL_011315 - Financial account establishment and maintenance</p> <ul style="list-style-type: none"> <li>- Separate financial accounts are established and maintained to ensure the extent and nature of transactions between TNSP and its affiliated entities are demonstrated.</li> <li>- Cost Allocation Principles and an approved Cost Allocation Methodology are used to allocate and attribute costs between transmissions services and other services.</li> <li>- Records are kept demonstrating to the AER how the above is met.</li> </ul>	Fully implemented
<b>3.2.2 Cost allocation and attribution</b>	<p>CTRL_011315 - Financial account establishment and maintenance</p> <ul style="list-style-type: none"> <li>- Separate financial accounts are established and maintained to ensure the extent and nature of transactions between TNSP and its affiliated entities are demonstrated.</li> <li>- Cost Allocation Principles and an approved Cost Allocation Methodology are used to allocate and attribute costs between transmissions services and other services.</li> <li>- Records are kept demonstrating to the AER how the above is met.</li> </ul>	Fully implemented

	<p>CTRL_011706 - Cost Allocation Principles and an approved Cost Allocation Methodology are used to allocate and attribute costs between transmissions services and other services.</p> <p>Records are kept demonstrating to the AER how the above is met.</p>	
<b>4.1 Obligation not to discriminate</b>	<p>CTRL_005770 - Ring-fencing policy and procedures kept up to date by APA Legal. Policy sets out APA Group's principles, roles and responsibilities to ensure that the way APA deals with customers that may also be competitors is appropriate, maintains customer confidence in APA, and is otherwise consistent with legal requirements.</p> <p>CTRL_000747 - Ring-fencing training - Annual training (face-to-face PowerPoint presentation) to an audience selected based on their day-to-day role (includes all of S&amp;C team and other affected parties)</p> <p>CTRL_005773 - APA Legal to advise on (and sign off) certain practices (e.g. bundled pricing, development of deal-specific ring fencing protocol) and competition &amp; consumer law issues (as needed)</p>	Fully implemented
<b>4.2.1 Protection of ring-fenced information</b>	<p>CTRL_005770 - Ring-fencing policy and procedures kept up to date by APA Legal. Policy sets out APA Group's principles, roles and responsibilities to ensure that the way APA deals with customers that may also be competitors is appropriate, maintains customer confidence in APA, and is otherwise consistent with legal requirements.</p> <p>CTRL_000747 - Ring-fencing training - Annual training (face-to-face PowerPoint presentation) to an audience selected based on their day-to-day role (includes all of S&amp;C team and other affected parties)</p> <p>CTRL_011724 - Annual Mandatory Enterprise Security Training conducted through the Learning Management System (LMS) under course ID TRN-H026-1</p> <p>CTRL_011710 - A User Access Review procedure has been developed to ensure access to ring fenced information for APA's Murraylink and Directlink electricity transmission assets is monitored and restricted as per Ring Fencing requirements. The list of users and storage locations is reviewed regularly by the Asset Manager.</p>	CTRL_011710 was not fully implemented during the Reporting Period.

<p><b>4.2.2 Disclosure of information</b></p>	<p>CTRL_005770 - Ring-fencing policy and procedures kept up to date by APA Legal. Policy sets out APA Group's principles, roles and responsibilities to ensure that the way APA deals with customers that may also be competitors is appropriate, maintains customer confidence in APA, and is otherwise consistent with legal requirements.</p> <p>CTRL_000747 - Ring-fencing training - Annual training (face-to-face PowerPoint presentation) to an audience selected based on their day-to-day role (includes all of S&amp;C team and other affected parties)</p>	
<p><b>4.2.3 Sharing of information</b></p>	<p>CTRL_011375 - An Information Sharing Protocol has been established that sets out how and when APA will make relevant information available to legal entities. The protocol is available on APA's website.</p>	<p>Fully implemented</p>
<p><b>4.2.4 Information register</b></p>	<p>CTRL_011318 - Information and Waiver Registers are maintained and publicly available on the APA Website. Each are reviewed periodically for accuracy.</p> <p>The Information Register is maintained to keep a record of all:</p> <ul style="list-style-type: none"> <li>- related electricity services providers</li> <li>- other legal entities who provide contestable electricity services but who are not affiliated entities of the TNSP.</li> </ul> <p>The information register also identifies information requested by related electricity service provider or legal entity in sufficient detail.</p> <p>The Waiver Register includes:</p> <ul style="list-style-type: none"> <li>- the description of the conduct to which the waiver or interim waiver applies; and</li> <li>- the terms and conditions of the waiver or interim waiver</li> </ul>	<p>Fully implemented</p>
<p><b>4.3 Staff separation</b></p>	<p>CTRL_005770 - Ring-fencing policy and procedures kept up to date by APA Legal. Policy sets out APA Group's principles, roles and responsibilities to ensure that the way APA deals with customers that may also be competitors is appropriate, maintains customer confidence in APA, and is otherwise consistent with legal requirements.</p>	<p>Fully implemented</p>

	<p>CTRL_000747 - Ring-fencing training - Annual training (face-to-face PowerPoint presentation) to an audience selected based on their day-to-day role (includes all of S&amp;C team and other affected parties)</p> <p>CTRL_000756 - Restriction of attendance at internal and external meetings, calls and on emails is reinforced in annual training and the ring fencing manual. Responsibility also lies with Exec and GMs to enforce the culture.</p>	
<b>4.4.1 Conduct of service providers</b>	<p>CTRL_011374 - Any new or varied agreement between a TNSP and a service provider requires that the service provider complies with the non-discrimination, staff sharing and information access obligations as if the service provider was the TNSP. Ring-fencing related clauses are included in legally approved templates used for procurement.</p>	Fully implemented
<b>5.7 Waiver register</b>	<p>CTRL_011318 - Information and Waiver Registers are maintained and publicly available on the APA Website. Each are reviewed periodically for accuracy.</p> <p>The Information Register is maintained to keep a record of all:</p> <ul style="list-style-type: none"> <li>- related electricity services providers</li> <li>- other legal entities who provide contestable electricity services but who are not affiliated entities of the TNSP.</li> </ul> <p>The information register also identifies information requested by related electricity service provider or legal entity in sufficient detail.</p> <p>The Waiver Register includes:</p> <ul style="list-style-type: none"> <li>- the description of the conduct to which the waiver or interim waiver applies; and</li> <li>- the terms and conditions of the waiver or interim waiver</li> </ul>	Fully implemented
<b>6.1 Maintaining compliance</b>	<p>CTRL_011639 - Compliance Management System (CMS) Procedure sets out APA's approach to meetings its obligations.</p> <p>The CMS is available on Empower and accessible to all staff. The CMS is reviewed every 2 years by the Group Compliance Manager. Processes captured in the CMS relate to:</p> <ul style="list-style-type: none"> <li>- Regulatory Change and control review post change</li> </ul>	Fully implemented



- Policy Management
- Incidents
- Compliance Control Assurance
- Governance and Reporting

CTRL\_005770 - Ring-fencing policy and procedures kept up to date by APA Legal. Policy sets out APA Group's principles, roles and responsibilities to ensure that the way APA deals with customers that may also be competitors is appropriate, maintains customer confidence in APA, and is otherwise consistent with legal requirements.

CTRL\_000747 - Ring-fencing training - Annual training (face-to-face PowerPoint presentation) to an audience selected based on their day-to-day role (includes all of S&C team and other affected parties)

CTRL\_011615 - Electricity Market Compliance Plans:

Ring fencing obligations are assigned to appropriate owners, and controls are documented in the appropriate compliance plans.

CTRL\_011638 - Risk Management System (RMS) Procedure has been established to provide consistent procedures for risk management across APA.

The procedure document is reviewed every 2 years by the Head of Risk, and is accessible to all staff via Empower. Training on the Risk Management Procedures is provided through the online Risk Fundamentals course in LMS.

Processes captured in the document relate to how the following must be managed across APA:

- Risk assessment, monitoring, treatment and recording
- Process Control effectiveness and controls assurance
- Incident management and Business Recovery
- Emerging Risks and Opportunities

<p><b>6.2.1 Annual compliance report</b></p>	<p>CTRL_011317 - The Economic Reg &amp; Ext Pol Team prepares an annual ring-fencing compliance report and submits this to the AER by April 30th each year i.e., within four months of the end of the calendar year to which the compliance report relates. The Compliance Report is also accompanied by an assessment of compliance with each provision of the Ring-fencing guideline by a suitably qualified independent authority.</p> <p>Recurring Action 588 - Prepare and submit Ring Fencing Compliance Report for Electricity Transmission Assets</p>	<p>Fully implemented</p>
<p><b>6.3 Compliance breaches</b></p>	<p>CTRL_005770 - Ring-fencing policy and procedures kept up to date by APA Legal. Policy sets out APA Group's principles, roles and responsibilities to ensure that the way APA deals with customers that may also be competitors is appropriate, maintains customer confidence in APA, and is otherwise consistent with legal requirements.</p> <p>CTRL_0011316 - The Economic Reg &amp; Ext Pol Team has a process in place to notify the AER in writing within 15 business days of becoming aware of a breach of its obligations under the Ring-fencing Electricity Transmission Guideline.</p>	<p>Fully implemented</p>
<p><b>6.4 Complaints and investigations</b></p>	<p>CTRL_011381 - Ring-fencing email address maintained to deal with queries and escalations.</p>	<p>Fully implemented</p>