



Our Ref: C2004/506  
Contact Officer: Warwick Anderson  
Contact Phone: (02) 6243 1240

28 February 2005

Mr Mal Park  
Executive Manager  
Strategic Network Development  
TransGrid  
201 Elizabeth Street  
PO Box A1000 Sydney South  
New South Wales 1235

Dear Mr Park

### **Application for conversion of Directlink merchant interconnector**

As you are aware from previous correspondence and meetings, the Directlink Joint Venture (DJV) has applied to the Australian Competition and Consumer Commission (ACCC) to convert its 180MW HVDC Light transmission line (Directlink) from a market network service to a prescribed service. In its application, the DJV made several assertions relating to the capital expenditure it anticipates TransGrid will make to augment its transmission network.

The ACCC would appreciate TransGrid's views on these issues, in particular whether:

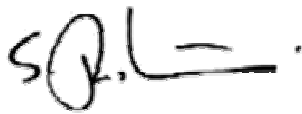
- Line 966 is currently at risk of being overloaded following outage of the Armidale to Lismore 330kV line
- TransGrid is currently reliant upon network support from Directlink to maintain its N-1 obligations
- the power flow conditions of the Far North Coast of New South Wales at 15:30 on 20 February 2004 indicate that TransGrid is reliant upon Directlink for support to Line 966
- TransGrid considers it practical to rely upon a coordinated voltage scheme involving Directlink to defer augmentations supporting the Port Macquarie region
- TransGrid intends to upgrade Line 966 as part of its asset rehabilitation plans and, if so, what proportion of TransGrid's capital expenditure on Line 966 relates to maintenance and what proportion to upgrading
- TransGrid could provide comment on the retention of an N-1 supply to Tenterfield following the dismantling of the Tenterfield/Lismore 132kV line during the construction of the Dumaresq/Lismore 330kV line.

I have attached a brief overview of the DJV's assertions and the reasons for the ACCC's queries.

Clarification of these issues will assist the ACCC in its assessment of the DJV's application for conversion to a prescribed service. ACCC staff would be happy to meet with TransGrid to discuss these issues. To assist TransGrid I have also enclosed a copy of the DJV's submission, letters from Burns and Roe Worley (BRW) and Parsons Brinckerhoff Associates (PB), and a National Energy Market Management Company (NEMMCO) snapshot provided by BRW.

Please contact me on (03) 9290 1867 or Warwick Anderson on (02) 6243 1240 if you wish to discuss this matter further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S.R.', with a horizontal line extending to the right.

Sebastian Roberts  
General Manager  
Regulatory Affairs – Electricity

## Attachment A – Overview of the DJV’s assertions

### *Line 966*

On 8 February 2005, the ACCC received a submission from the DJV that included a report by BRW in support of the DJV’s submission. In its report, BRW stated that its modelling indicated that the 132kV line between Armidale and Koolkhan (Line 966) would be overloaded in a post-contingent condition from 2003.<sup>1</sup> As a result, BRW asserted that TransGrid is currently reliant upon Directlink for non-firm network support, and, due to an increasing need to ‘uprate’ Line 966, will in the future need to seek firm network support from Directlink. Similarly, in a submission to the ACCC dated 14 January 2005, the DJV stated that TransGrid is dependent upon non-firm capacity from Directlink to meet its N-1 obligation.<sup>2</sup>

In a letter to the ACCC dated 23 February 2005, BRW elaborated upon the overloading of Line 966 without Directlink.<sup>3</sup> It stated that, when load is high and following an outage of the Armidale to Lismore 330kV line, Line 966 would carry electricity beyond its sustained emergency rating of 88 MVA. As there is no load shedding system in place on Line 966, the transmission protection scheme would trip off Line 966 resulting in voltage collapse at Koolkhan and potentially to other parts of the NSW network. BRW stated that 15:30 on 20 February 2004 was an example of when such a contingency could have arisen and provided the ACCC with a market snapshot and contingency analysis from the National Electricity Market Management Company (NEMMCO) in support. Alternatively, BRW stated that TransGrid could pre-contingently shed customer load in anticipation of potential outages. However, it asserted that the level of ‘load at risk’ to Country Energy customers is equivalent to the combined demand of a regional city and that this is unacceptable to Country Energy.

In its submission to the ACCC on 14 January 2005, TransGrid stated that it does not anticipate requiring support for the New South Wales Far North Coast until after winter 2007. Further, TransGrid stated that it expects to commence negotiation for network support from alternative sources, including the DJV, over the next 12 to 18 months. This statement appears inconsistent with BRW and the DJV’s assertion that TransGrid is currently reliant upon Directlink to meet its N-1 obligation.

### *Maintenance on Line 966*

In its 14 January 2005 submission, TransGrid advised the ACCC that it would be undertaking rehabilitation and uprating works for Line 966 that will result in it having a similar rating to Line 965. In the report attached to the DJV’s submission of 8 February 2005, BRW stated that to its knowledge TransGrid’s asset replacement plans do not include an upgrade of Line 966.<sup>4</sup> Further, it has no evidence that Line 966 is in poor condition and in need of replacement. BRW’s statement appears inconsistent with that of TransGrid. The ACCC would appreciate TransGrid clarifying what proportion of TransGrid’s proposed capital expenditure for Line 966 relates to rehabilitation.

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<sup>1</sup> BRW (2005) *BRW draft explanation to review of costs and deferment benefits* p. 2.

<sup>2</sup> DJV (2005) *Submission in response to PB Associates report of 26 November 2004* p. 13.

<sup>3</sup> BRW (2005) *Clarification of load at risk in context of potential overload of line 966*.

<sup>4</sup> BRW (2005) *BRW draft explanation to review of costs and deferment benefits* p. 2.

### *Armidale to Port Macquarie*

In the report attached to the DJV's submission of 8 February 2005, BRW stated that its modelling assumes that a 330kV augmentation to Port Macquarie will be commissioned in 2008/09 due to contingent low voltages and overloads.<sup>5</sup> BRW stated that a report by PB and studies by TransGrid indicate that this augmentation could be deferred by two years through a coordinated voltage scheme involving Directlink. BRW noted that TransGrid has reservations about the use of such a scheme.

PB responded to the BRW's assertions in a letter to the ACCC of 24 February 2005. PB stated that BRW has misinterpreted its report which was produced for the purpose of assessing the capital expenditure proposed for TransGrid's maximum allowable revenue. PB also stated that the augmentations required to support Port Macquarie and Kempsey were uncertain and that further modelling was needed of the practicality of a coordinated voltage scheme and what role, if any, Directlink would have in that scheme.

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<sup>5</sup> BRW (2005) *BRW draft explanation to review of costs and deferment benefits* p. 3.