DIRECTLINK JOINT VENTURE

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21 February 2005

Mr Warwick Anderson
Acting General Manager, Access Branch
Australian Energy Regulator
470 Northbourne Avenue
CANBERRA ACT 2600

Dear Warwick

Re: Application for Conversion to a Prescribed Service and a Maximum Allowable Revenue to June 2015

The Directlink Joint Venturers are pleased to provide the Australian Energy Regulator ('**AER**') with information on Directlink's improving technical performance and our commitment to continue our program of reliability projects.

Performance during calendar year 2005

We have already completed several projects that have brought about a noticeable improvement in Directlink's performance. Even though many of these projects were only completed midway through 2005, Directlink's all-inclusive forced outage availability for 2005 rose to 96.5% for 120 MW and 87.0% for 180 MW for the calendar year. Around 3.5% of its forced unavailability was due to excluded events, predominantly one event on 7 July 2005. If this one event is excluded as it should be, Directlink's 2005 forced outage availability was 99.7% for 120 MW and 90.2% for 180 MW.

Except to the extent that Directlink provided network services into Queensland in accordance with our network support agreement with Powerlink and into NSW in accordance with NEMMCO's directions, we operated Directlink as a market network service and its real power dispatch levels varied between 120 MW north and 174 MW south.[1]

Performance during summer of 2005-06

As NEMMCO reported on 3 February 2006, it has been issuing directions to Directlink over the 2005-06 summer period.[2] Directlink has been directed to flow south to provide network support to the NSW transmission network and avoid load shedding in the event that 330 kV

[1] E-risk, DL N->Q interconnector dispatch data for 2005, https://www.erisk.net.
[2] NEMMCO Market Operations Group 2006, *Report, Directions – New South Wales Region, 21 December 2005 to 20 January 2006*, 3 February.

line 89 trips out. NEMMCO's report covers the period from 21 December 2005 to 20 January 2006 over which time Directlink was directed 27 times to flow south for a total period of 171 hours and 18 minutes. Since then and up to 19 February 2006, Directlink was directed another 19 times to flow south for another total period of 193 hours and 5 minutes. This means that Directlink has been directed 46 times over the summer to 19 February, for an average period of 7 hours and 55 minutes per event.

Directlink has been providing a valuable network support service reliably and capably. Over that same period, from 21 December 2005 to 19 February 2005, Directlink's availability has been 99.0% for 180 MW and 100% for 120 MW, as shown in Table 1.

Table 1

DIRECTLINK'S RECENT RELIABILITY

	Forced availability at 120 MW	Forced availability at 180 MW
Calendar year 2005 (all inclusive)	96.5%	87.0%
Calendar year 2005 (excluding Excluded Event on 7 July 2005)	99.7%	90.2%
During period of directions in summer from 21 December 2005 to 19 February 2006 (all inclusive)	100.0%	99.0%

During the 816 half-hour trading intervals fully or partially affected by NEMMCO's directions, Directlink provided real power flows at a range of levels, as shown in Table 2.[3] Directlink's real power dispatch levels varied between 91 MW north and 97 MW south.

Table 2

DIRECTLINK'S DISPATCH LEVELS DURING TRADING INTERVALS SUBJECT TO DIRECTION

Dispatch range	0 or up to100 MW north	Up to 20 MW south	20-40 MW south	40-60 MW south	60-80 MW south	80-100 MW south
No. of trading intervals	57	69	523	111	34	22
Percentage of the time	7.0%	8.5%	64.1%	13.6%	4.2%	2.7%

[3] E-risk, DL N->Q interconnector dispatch data for 2005 and 2006, https://www.erisk.net.

We note that, in its Directlink draft decision, the AER assumed a reliability of at least 99 per cent for the technical requirement of 120 MW in determining Directlink's market benefits.[4] On the basis of Directlink's recent performance, we can confirm that Directlink is now achieving the AER's assumed level of reliability and that the benefits calculated can be considered to be within the expected range.

Further, largely as a result of the reliability projects already completed, Table 1 also shows that Directlink's performance over the summer is fast approaching the forced availability target set down in the AER's proposed incentive scheme of 99.23% for 180 MW[5].

Further reliability enhancements

The Directlink Joint Venturers will be taking seriously any direct or implied Rules obligation to minimise the frequency and duration of Directlink's outages. We are committed to the implementation of more reliability projects that should consolidate Directlink's reliability during 2006. In particular we have commenced projects dealing with cable UG/GST transition joints, strategic spares, technical support and maintenance management systems, and a possible upgrade of Directlink's protection and control scheme.

The Directlink Joint Venturers trust that this information satisfies your requirements. Please contact me if we can provide you with any further details.

Yours sincerely

Dennis Stanley
Directlink Joint Venture Manager

[4] AER 2005, *Directlink Joint Venture Application for Conversion and Revenue Cap, Draft Decision*, 8 November ('**Directlink draft decision**'), pp. 84, 133, 158 & 228.
[5] Directlink draft decision, p. 234.