



## **Directlink Joint Venture**

Directlink  
Revenue Proposal

Attachment 1.1

Reset Regulatory  
Information Notice

Compliance Checklist

May 2014

01 1 Directlink RIN Compliance Checklist.docx

The following checklist has been prepared in accordance with the AER's reset Regulatory Information Notice issued to the Directlink Joint Venture on 07 March 2014, in relation to the preparation of Directlink's 2015-20 Regulatory Proposal.

Each requirement in the checklist is cross referenced to the relevant sections of the Directlink regulatory proposal and, where appropriate, briefly annotated

RIN Reference	RIN Requirement	Directlink Regulatory Proposal
<b>SCHEDULE 1</b>		
<b>1.</b>	<b>PROVIDE INFORMATION</b>	
1.1	Provide the information required in each <i>regulatory template</i> in the Microsoft Excel workbook attached at Appendix A completed in accordance with:	
	(a) this Notice;	See completed RIN templates accompanying this proposal
	(b) the instructions in the Microsoft Excel Workbook attached to Appendix A;	See completed RIN templates accompanying this proposal
	(c) the Principles and Requirements in Appendix E; and	Complying. Directlink has only used estimates in respect of the 2013/14 regulatory year, as actual data for this full year is not yet available. These estimates are based year to date expenditure and the approved work program for the remainder of the year.
	(d) the applicable approved <i>cost allocation methodology</i> .	See submission section 3.3
1.2	For information other than Forecast Information, provide in accordance with this Notice and the Principles and Requirements in Appendix E, a Basis of Preparation demonstrating Directlink has complied with this Notice, in respect of:  (a) the information in each regulatory template in the Microsoft Excel workbook attached at Appendix A; and  (b) any other information prepared in accordance with the requirements of this Notice.	Basis of preparation document provided as RIN Attachment 1.2
1.3	Provide any other supporting information or documentation that is directly	See submission and associated attachments

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	relevant to the preparation of the <i>revenue proposal</i> .	
1.4	Provide the applicable approved <i>cost allocation methodology</i> , or where the <i>cost allocation methodology</i> has not yet been approved by the AER, the proposed <i>cost allocation methodology</i> .	Submission Attachment 3.2
1.5	Provide for the purposes of the preparation of the <i>revenue proposal</i> :	
	(a) all consultants' reports commissioned and relied upon in whole or in part;	Provided – see submission attachments
	(b) all material assumptions relied upon;	The submission contains a single assumption: - Section 6.3 – Inflation is assumed to be 2.5% per annum
	(c) copies of the top ten contracts relating to the delivery of transmission services, by annual value, and any supporting information directly related to the procurement process for the services provided by these contracts (e.g. probity reports, Board minutes, tendering documents); and	Directlink has only one such contract – the Maintenance, Operations, Management and Commercial Services Agreement (MOMCSA). This is provided at RIN Attachment 1.5(c)
	(d) a table that references, for the instances where Directlink has responded to a paragraph in this Schedule 1, where it is provided in or as part of the <i>revenue proposal</i> , <i>proposed pricing methodology</i> and <i>negotiating framework</i> .	This table.
1.6	Provide for each material assumption identified in the response to paragraph 1.5(b) (a) its source or basis; (b) if applicable, its quantum (c) whether and how the assumption has been applied and was taken into account; and (d) the effect or impact of the assumption on the capital and operating	See section 6.3 This assumption has no impact on the forecast capital and operating expenditure as these are providing in real dollars.

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	<p>expenditure forecasts in the forthcoming regulatory control period taking into account:</p> <ul style="list-style-type: none"> <li>(i) the actual expenditure incurred during the current regulatory control period; and</li> <li>(ii) the sensitivity of the forecast expenditure to the assumption</li> </ul> <p>(e) provide these explanations, or cross references to these explanations, in the relevant regulatory template.</p>	
1.7	Where historical information provided in the <i>regulatory templates</i> has previously been reported to the AER:	
	(a) this information must reconcile with the previously provided information; or	Information does not reconcile
	(b) Directlink must explain why the information does not reconcile.	<p>Previous information has been provided to the AER on a calendar year basis, whereas this proposal provides historical information on a financial year basis.</p> <p>In the RIN, margins under the Maintenance, Operations, management Commercial Services Agreement (MOMCSA) are included with the costs to which they relate.</p>
1.8	For each change identified in the response to paragraph 1.7:	
	(a) explain the nature of and the reasons for the change; and	Conversion of calendar year information to financial year information
	(b) quantify the effect of the change on the Regulatory Accounting Statements for the current Relevant Regulatory Year.	Not applicable
1.9	Capital and operating expenditure forecasts provided in the <i>regulatory templates</i> must be reconciled to the ex-ante capital and operating allowances in <i>post-tax revenue model</i> for the <i>forthcoming regulatory control period</i> .	Complying. See RIN templates and PTRM
1.10	Where the <i>revenue proposal</i> varies or departs from the application of any component or parameter of the <i>efficiency benefit sharing scheme, capital</i>	See submission section 12

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	<p><i>expenditure sharing scheme</i> or <i>service target performance incentive scheme</i> set out in the framework and approach paper, for each variation or departure explain:</p> <p>(a) the reasons for the variation or departure, including why the departure is appropriate;</p> <p>(b) how the variation or departure aligns with the objectives contained in the relevant scheme; and</p> <p>(c) how the proposed variation or departure will impact the operation of the relevant scheme.</p>	
<b>2.</b>	<b>SERVICES PROVIDED BY THE TNSP</b>	
2.1	Provide:	
	<p>(a) the name and a brief description of each <i>category of prescribed transmission service</i> provided by Directlink that is the subject of the <i>revenue proposal</i>.</p> <p>(b) a brief description of the required quality, reliability and security of supply of each prescribed <i>transmission service</i> provided by Directlink.</p> <p>(c) a brief description of the required reliability, safety and security of the <i>transmission system</i> provided by Directlink in the supply of <i>prescribed transmission services</i>.</p>	See submission section 1.4.
<b>3.</b>	<b>STEP CHANGES</b>	
3.1	<p>For all Step changes in forecast expenditure (including those due to changes in <i>regulatory obligations or requirements</i> and those due to changes in Directlink's own policies and strategies) provide:</p> <p>(a) in Table 2.1.3 and Table 2.1.4 of regulatory template 2.1, the quantum of the Step change Directlink:</p> <p>(i) forecasts to incur in each year of the <i>forthcoming regulatory</i></p>	As Directlink has undertaken a bottom-up cost study (see submission section 9.3. and the Phacelift Consulting bottom-up cost study at Attachment 9.3), no step changes are proposed.

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	<p><i>control period</i>; and, if applicable</p> <p>(ii) has incurred, or expects to incur, in the <i>current regulatory control period</i> relative to expenditure previously approved by the AER;</p> <p>(b) a description of the <i>Step change</i>, including:</p> <p>(i) when the change occurred, or is expected to occur;</p> <p>(ii) what the driver of the <i>Step change</i> is;</p> <p>(iii) how the driver has changed or will change (for example, revised legislation may lead to a change in a <i>regulatory obligation or requirement</i>); and</p> <p>(iv) whether the <i>Step change</i> is recurrent in nature;</p> <p>(c) justification for when, and how, the <i>Step change</i> affected, or is expected to affect:</p> <p>(i) total opex; and</p> <p>(ii) total capex;</p> <p>(d) the process undertaken by Directlink to identify and quantify the <i>Step change</i>; cost benefit analysis that demonstrates Directlink proposes to address the <i>Step change</i> in a prudent and efficient manner, including:</p> <p>(i) the timing of the <i>Step change</i>; and</p> <p>(ii) if Directlink considered a 'do nothing' option, evidence of how Directlink assessed the risks of this option compared with other options;</p> <p>(e) if the <i>Step change</i> is due to a change in a regulatory obligation or requirement:</p> <p>(i) relevant variations or exemptions granted to Directlink during the <i>previous regulatory control period</i> or the <i>current regulatory control period</i>;</p> <p>(ii) relevant compliance audits Directlink conducted during the</p>	

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	<p><i>previous regulatory control period</i> or the <i>current regulatory control period</i>;</p> <p>(iii) with reference to specific clauses of the relevant legislative instrument(s), the:</p> <p>(A) previous regulatory obligation or requirement; and</p> <p>(B) changed regulatory obligation or requirement that is driving the Step change.</p>	
<b>4.</b>	<b>CAPITAL EXPENDITURE</b>	
4.1	Provide justification for Directlink's total <i>forecast capex</i> , including:	
	(a) why the total <i>forecast capex</i> is required for Directlink to achieve each of the objectives in clause 6A.6.7(a) of the NER;	See sections 8.3, 8.4, 8.7, Asset Management Plan and Project Business Cases
	(b) how Directlink's total <i>forecast capex</i> reasonably reflects each of the criteria in clause 6A.6.7(c) of the NER;	See section 8.7, Asset Management Plan and Project Business Cases
	(c) how Directlink's <i>forecast capex</i> accounts for the factors in clause 6A.6.7(e) of the NER; and	See sections 1.7, 4.2, Asset Management Plan and Project Business Cases
	(d) an explanation of how the plans, policies, procedures and <i>regulatory obligations or requirements</i> identified in <i>regulatory templates</i> 5.1 and 5.3, and, consultants reports and assumptions identified in 1.5 have been incorporated.	See Asset Management Plan and Project Business Cases
4.2	Provide the model(s) and methodology Directlink used to develop its total <i>forecast capex</i> , including;	
	(a) A description of how Directlink prepared the <i>forecast capex</i> , including:	
	(i) how its preparation differed or related to budgetary, planning and governance processes used in the normal running of	Directlink followed the same project development and approval processes as it would follow in the normal course of business



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	Directlink's business;	
	(ii) processes for ensuring amounts are free of error and other quality assurance steps; and	Process of endorsement and approval process
	(iii) if and how Directlink considered the resulting amounts, when translated into price impacts, were in the long term interest of consumers.	See Attachment 9.2 - PSC Cost Benefit Study
	(b) any source material used (including models, documentation or any other items containing quantitative data);	See Project Business Cases.
	(c) all calculations that demonstrate how data from the source material has been manipulated or transformed to generate data provided in the <i>regulatory templates</i> .	See Project Business Cases.
<b>5.</b>	<b>OPERATING AND MAINTENANCE EXPENDITURE</b>	
<b>Total forecast operating and maintenance expenditure (opex)</b>		
5.1	Provide:	
	(a) the model(s) and the methodology Directlink used to develop its total forecast opex;	See attachment 9.3
	(b) justification for Directlink's total forecast opex, including:	
	(i) why the total forecast opex is required for Directlink to achieve each of the objectives in clause 6A.6.6(a) of the NER;	See section 9 and Attachment 9.3
	(ii) how Directlink's total forecast opex reasonably reflects each	See section 9 and Attachment 9.3

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	of the criteria in clause 6A.6.6(c) of the NER; and	
	(iii) how Directlink's total forecast opex accounts for the factors in clause 6A.6.6(e) of the NER.	Sections 1.7, 4.3, section 9 and Attachments 9.2 and 9.3
5.2	Provide actual historical opex and forecast opex by category for each year of the <i>current regulatory control period</i> and <i>forthcoming regulatory control period</i> in Table 2.1.1 for <i>prescribed transmission services</i> opex.	See Table 4.2 and Table 9.3
5.3	Provide: (a) the quantum of non-recurrent costs for each year of the forthcoming regulatory control period; and (b) an explanation of each non-recurrent cost.	See Attachment 9.3
5.4	If Directlink used a revealed cost <i>Base year</i> approach to develop its total forecast opex, provide: (a) the Base year Directlink used; and (b) explanation and justification for why that Base year represents efficient and recurrent costs.	As discussed in sections 1.6, 9.2, 9.3 and the Directlink Forecasting Methodology lodged in November 2013, Directlink has used a bottom-up cost study to develop its forecast of operating costs for the regulatory period.
5.5	If Directlink did not use a revealed cost <i>Base year</i> approach to develop its total forecast opex, provide: (a) in Microsoft Excel format, clear reconciliation (including all calculations and formulae) of Directlink's total forecast opex to: (i) forecast prescribed transmission services opex by category in Table 2.1.1; and (ii) forecast prescribed transmission services opex by driver in Table 2.1.2. (b) explanation of major drivers for the increases and decreases in expenditure by category in the forthcoming regulatory control period compared to actual historical expenditure.	See section 9.3. The Phacelift Consulting bottom-up cost study is at Attachment 9.3.

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	(c) explanation and justification for: <ul style="list-style-type: none"> <li>(i) whether Directlink considers there is a year of historic opex that represents efficient and recurrent costs; or</li> <li>(ii) why Directlink considers no year of historic opex represents efficient and recurrent costs.</li> </ul>	
<b>Output growth</b>		
5.6	Provide the amount of total forecast opex attributable to output growth changes for each year of the <i>forthcoming regulatory control period</i> in Table 2.1.2 for <i>prescribed transmission services</i> opex.	Directlink's operation as a regulated interconnector and in particular its dispatch by AEMO does not provide for changes output growth or resulting changes in costs.
5.7	Provide: <ul style="list-style-type: none"> <li>(a) the output growth drivers Directlink used to develop the amount of total forecast opex attributable to output growth changes;</li> <li>(b) any economies of scale factors applied to the growth drivers;</li> <li>(c) evidence that the growth drivers explain cost changes due to output growth; and</li> <li>(d) if Directlink applied any composite multiple output growth drivers:               <ul style="list-style-type: none"> <li>(i) the inputs for each composite multiple output growth driver; and</li> <li>(ii) the weightings for each input.</li> </ul> </li> </ul>	
5.8	Provide an explanation of how, in developing the amount of total forecast opex attributable to output growth changes, Directlink: <ul style="list-style-type: none"> <li>(a) applied the output growth drivers; and</li> <li>(b) accounted for economies of scale.</li> </ul>	
<b>Real price changes</b>		
5.9	Provide the amount of total forecast opex attributable to changes in the price of	See sections 2.5, 8.6.3 and 9.8.1

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5.10	<p>labour and materials for each year of the <i>forthcoming regulatory control period</i> in Table 2.1.2 for <i>prescribed transmission services</i> opex.</p> <p>Provide an explanation of:</p> <p>(a) how, in developing the amount of total forecast opex attributable to changes in the price of labour and materials, Directlink applied the real price measures in <i>regulatory template 2.4</i>; and</p> <p>(b) whether Directlink's labour price measure compensates for any form of labour productivity change.</p>	As discussed at the officer level, Directlink proposes to rely on the AER's expert report on real cost escalation.
<b>Productivity change</b>		
5.11	Provide the amount of total forecast opex attributable to changes in productivity for each year of the <i>forthcoming regulatory control period</i> in Table 2.1.2 for <i>prescribed transmission services</i> opex.	See section 2.5.1.
5.12	Provide, in percentage year on year terms, the productivity measure that Directlink used to develop the amount of total forecast opex attributable to changes in productivity;	As discussed at the officer level, Directlink proposes to rely on the AER's expert report on real cost escalation.
5.13	<p>Provide an explanation of:</p> <p>(a) how, in developing the amount of total forecast opex attributable to changes in productivity, Directlink applied the productivity measure in Table 2.1.2;</p> <p>(b) whether Directlink's forecast productivity changes capture the historic trend of cost increases due to changes in regulatory obligations or requirements and industry best practice; and</p> <p>(c) whether Directlink's productivity measure includes productivity change compensated for by the labour price measure used by Directlink to forecast the change in the price of labour.</p>	
<b>Opex step changes</b>		
5.14	Provide the amount of total forecast opex attributable to opex step changes for	Directlink has provided a bottom-up cost study as discussed in section 9.3.3.

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5.15	<p>each year of the <i>forthcoming regulatory control period</i> in Table 2.1.3 for <i>prescribed transmission services opex</i>.</p> <p>Provide an explanation of why Directlink considers:</p> <p>(a) the efficient costs of the <i>Step change</i> are not provided by other components of Directlink's total forecast opex such as base opex, output growth changes, real price changes or productivity change;</p> <p>(b) the total forecast opex will not allow Directlink to achieve the objectives in clause 6A.6.6(a) of the NER unless the <i>Step change</i> is included; and</p> <p>(c) the total forecast opex will not reasonably reflect the criteria in clause 6A.6.6(c) of the NER unless the <i>Step change</i> is included.</p>	The report by Phacelift Consulting is provided in Attachment 9.3.
6.	<b>RISK MANAGEMENT AND INSURANCE</b>	
<b>Risk management framework</b>		
6.1	Provide information that sets out Directlink's governance arrangements in relation to the management of risk, including:	See APA Group Risk Management Policy, RIN Attachment 6.1
	<p>(a) a risk appetite statement, which details the level of risk Directlink's board is willing to accept including the nature and level of risks and the level of loss that can be sustained;</p>	<p>The Directlink assets are managed by APA in accordance with the Management, Operations and Maintenance and Commercial Services Agreement. The Agreement requires an annual Asset Management Plan be approved by the EII Board. The Asset Management Plan relies upon the APA (as Operator) risk management framework, referring specifically to the APA Group Risk Management Policy, which provides details of the methodology for management of risk. The APA Group Risk Management Policy articulates details of the process for analysis of risks, including metrics that enable quantification of risks, and parameters against which risks are treated.</p> <p>Where risks are determined to reflect an unacceptable rating above the appetite for retention, insurance is utilised as a mechanism to transfer risk. Retention levels within insurance policies are structured to reflect the optimal balance between availability and cost of insurance cover, and are reviewed to</p>

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		ensure they are maintained at sustainable levels to both the insured (Directlink) and the insurer.
	(b) a risk management strategy that describes Directlink's strategy for managing risk and the key elements of the risk management framework that give effect to this strategy; and	<p>As a consequence of the fire event at Mullumbimby in August 2012, the Directlink risk strategy has focussed on consideration of all possible causes of the fire, which has been indeterminable. This has included review by consultants to ensure operations are maintained in accordance with GEIP, and a risk engineering assessment from the (property) insurer of the assets, FM Global. As a result, various proposed controls have been identified and work is being undertaken to consider their introduction. This includes increased physical protection in the form of fire suppression systems as a recommendation of the insurer.</p> <p>Review of the Directlink risk register is an ongoing process that drives risk improvement and control assurance.</p>
	(c) any other information that demonstrates Directlink's governance arrangements in relation to risks and their management.	None
<b>Insurance</b> (regulatory template 2.5)		
6.2	General instructions:	
	(a) Table 2.5.1 must provide a summary of all Directlink's proposed insurance costs.	See Table 2.5.1 of the RIN
	(b) Tables 2.5.2 and 2.5.3 seek more detailed information regarding total property and liability premiums only. The total property premiums forecast in table 2.5.2 must equal the sum of the premium forecasts classed as property insurance in table 2.5.1. The total liability forecast in table 2.5.3 must equal the sum of the premium forecasts classed as liability in table 2.5.1.	See Tables 2.5.2 and 2.5.3 of the RIN
	(c) Amounts are exclusive of GST.	Amounts are exclusive of GST

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6.3	Provide the following information for each commercially insured risk listed in table 2.5.1:	
	(a) the name and description of each insured risk, including policy limits and sub-limits;	See Marsh report Attachment 9.5 and RIN template 2.5
	(b) a description of the general method used to forecast premiums (this may be in the form of an insurance premium forecast report by a qualified risk specialist); and	See Marsh report Attachment 9.5.
	(c) any changes in policy cover over the <i>current</i> and <i>forthcoming regulatory control</i> periods.	See RIN template 2.5 and Marsh report Attachment 9.5
6.4	Provide the following information regarding total property and total liability insurance reported in tables 2.5.2 and 2.5.3 respectively:	See Marsh report Attachment 9.5.
	(a) a description of the systematic drivers of insurance premiums;	
	(b) a description of the circumstances that have led to any premium changes over the current regulatory control period;	
	(c) a description of the method used to forecast premiums for the forthcoming regulatory control period, including estimated exposure growth and premium rate changes and any other adjustments made. Provide supporting evidence for exposure, premium rate changes, or any other proposed adjustments; and	
	(d) an explanation of how the value of insured assets is derived for property insurance (e.g. replacement costs, insured value etc.).	See Valquip report RIN Attachment 6.4(d).
6.5	Where insurance is shared with other entities, provide:	See RIN Attachment 6.5.
	(a) an explanation of the cost allocation approach used for each risk class;	Historically, insurance costs were allocated among the EII assets on eh basis of asset values or revenues.
	(b) cost allocations (percentage) by risk class for the current regulatory control period; and	In light of the increase in insurance premiums directly attributable to the Directlink fire, EII has directly attributed insurance costs to Directlink as

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	(c) the cost allocations (percentage) that underly forecast premiums for the forthcoming regulatory control period. If the proportion allocated to Directlink has changed, explain why.	outlines in the Cost Allocation Methodology
6.6	Provide a report from an appropriately qualified risk specialist verifying that Directlink's forecast insurance premiums are efficient.	See Marsh report Attachment 9.5.
<b>Self-insurance</b>		
6.7	<p>For each risk for which Directlink is proposing a self-insurance allowance in the <i>revenue proposal</i>:</p> <p>(a) provide a description of the risk and risk exposure including cover, exclusions and limit;</p> <p>(b) explain how each self-insurance allowance has been calculated describing the modelling and detailing key assumptions;</p> <p>(c) provide a record of historic losses and claims against the self-insurance fund as far as records allow;</p> <p>(d) explain why compensation should be provided for the risk. Where insurance is available from a commercial insurer and an insurance quote has been obtained, provide evidence that it is more efficient to self-insure for that risk;</p> <p>(e) confirm that the risk for which self-insurance is being sought is not recovered through any other mechanism; and</p> <p>(f) explain why, if a self-insurance allowance has not been sought for a particular risk in the current regulatory control period, it is being sought in the forthcoming regulatory control period.</p>	See Marsh report Attachment 9.5.
6.8	<p>If Directlink is proposing self-insurance for asset failure risk in the <i>revenue proposal</i>:</p> <p>(a) provide:</p> <p>(i) the annual number of failures for each asset category for</p>	See Marsh report Attachment 9.5.



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	<p>which self-insurance is being sought;</p> <p>(ii) the historical costs for each asset failure; and</p> <p>(iii) a description of what those costs relate to, including any split between capex and opex.</p> <p>(b) explain:</p> <p>(i) where the self-insurance allowance is not based on the actual historical asset failure rates and costs, how the allowance has been forecast and why it is efficient; and</p> <p>(ii) how the proposed capex has been taken into account in calculating the probability of asset failure for each asset category for which self-insurance is being sought.</p>	
<b>7.</b>	<b>PROVISIONS</b>	
	<p>(a) For each of Directlink's provisions, provide the information required in <i>regulatory template 2.3</i> in accordance with:</p> <p>(i) regulatory template 2.3; and</p> <p>(ii) Australian Accounting Standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets.</p> <p>(b) If, in a given year, there is an increase in the amount of a provision, provide reasons for this increase, including:</p> <p>(i) the expected timing of any resulting outflows of economic benefits;</p> <p>(ii) an explanation of the uncertainties about the amounts or timing of the outflows;</p> <p>(iii) supporting consultant's advice, including actuarial reports; and.</p> <p>(iv) if there is no supporting consultant's advice, the process and assumptions Directlink used in determining the increase in</p>	N/A. Directlink records no provisions.

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	<p>the provision.</p> <p>(c) Provide the allocation of the movement in total provisions in <i>regulatory template 2.3</i>, Table 2.3.2 to:</p> <ul style="list-style-type: none"> <li>(i) opex;</li> <li>(ii) as-incurred capex by roll forward model asset class;</li> <li>(iii) as-commissioned capex by roll forward model asset class; and</li> <li>(iv) other, where the movement in the provision is neither capex nor opex.</li> </ul> <p>(d) Identify and explain any assumptions applied for the allocation of asset class provided under paragraphs (c)(ii) and (c)(iii).</p>	
<b>8.</b>	<b>FORECAST PRICE CHANGES</b>	
	<p>(a) Provide, in <i>regulatory template 2.4</i>, the labour and material price changes assumed by Directlink in estimating Directlink's <i>forecast capex</i> proposal and the <i>forecast opex</i> proposal. All price changes must be expressed in percentage year on year real terms</p> <p>(b) Provide:</p> <ul style="list-style-type: none"> <li>(i) the model(s) used to derive and apply the materials price changes, including model(s) developed by a third party;</li> <li>(ii) in relation to labour escalators, a copy of the current Enterprise Bargaining Agreement or equivalent agreement; and</li> <li>(iii) evidence that the forecast price changes accurately explain the change in the price of goods and services purchased by Directlink, including evidence that any materials price forecasting method explains the price of materials previously purchased by Directlink .</li> </ul> <p>(c) In Directlink's Basis of Preparation, explain:</p>	<p>See section 2.5.1.</p> <p>As discussed at the officer level, Directlink proposes to rely on the AER's expert report on real cost escalation.</p>

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	<p>(i) the methodology underlying the calculation of each price change, including sources, data conversions, the operation of any model(s) provided under paragraph (b)(i), and the use of any assumptions, such as lags or productivity gains;</p> <p>(ii) whether the same price changes have been used in developing both the Forecast capex Proposal and forecast opex proposal; and</p> <p>(iii) if the response to paragraph 8(c)(ii) is negative, why it is appropriate for different expenditure escalators to apply.</p> <p>(d) If an agreement provided in response to paragraph 8(b)(ii) is due to expire during the <i>forthcoming regulatory control period</i>, explain the progress and outcomes of any negotiations to date to review and replace the current agreement.</p>	
<b>9.</b>	<b>RELATED PARTY TRANSACTIONS</b>	
9.1	Identify and describe all other entities which:	
	(a) are a <i>related party</i> to Directlink and contribute to the provision of <i>transmission services</i> ; or	See section 1.1.3 and 3.6.  Note that Directlink was a part of the APA Group from the date of its acquisition, 28 February 2007, to the date it was sold into the EII investment vehicle on 12 December 2008. While 100% owned as part of the APA Group, it was a related party according to the RIN definition. It has not been a <i>related party</i> since.
	(b) have the capacity to determine the outcome of decisions about the Directlink's financial and operating policies.	
9.2	Provide a diagram of the organisational structure depicting the relationships between all the entities identified in the response to paragraph 9.1.	
9.3	Identify:	
	(a) all arrangements or contracts between Directlink and any of the other entities identified in the response to paragraph 9.1 which relate directly or indirectly to the provision of <i>transmission services</i> ; and	See discussion of the Management Operations Maintenance Commercial Services Agreement (MOMCSA) in section 9.6 and Attachment 9.4.

	(b) the service or services the subject of each arrangement or contract.	A copy of the MOMCSA is attached as RIN Attachment 1.5(c)
9.4	<p>For each service identified in the response to paragraph 9.3:</p> <p>(a) provide:</p> <ul style="list-style-type: none"> <li>(i) a description of the process used to procure the service; and</li> <li>(ii) supporting documentation, including but not limited to requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Directlink and relevant provider;</li> </ul> <p>(b) explain:</p> <ul style="list-style-type: none"> <li>(i) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by Directlink itself;</li> <li>(ii) whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);</li> <li>(iii) whether the services were procured on a genuinely competitive basis and if not, why; and</li> <li>(iv) whether the service (or any component thereof) was further outsourced to another provider.</li> </ul>	
10.	<b>PROPOSED CONTINGENT PROJECTS</b>	Directlink does not propose any contingent projects.
11.	<b>NON-NETWORK ALTERNATIVES</b>	
	Identify the <i>policies and strategies</i> provided which relate to the selection of efficient non-network solutions.	No augmentation of the Directlink Interconnector is proposed which could be deferred by non-network alternatives.
11.2	Explain the extent to which the provision for efficient non-network alternatives has been considered in the development of the forecast capex proposal and the forecast opex proposal.	

11.3	Identify each non-network Project that Directlink has: (a) commenced during the current regulatory control period; and (b) selected to commence during, or will continue into the forthcoming regulatory control period.	
11.4	For each non-network Project identified in the response to paragraph 11.3, provide a description, including cost and location.	
<b>12.</b>	<b>EFFICIENCY BENEFIT SHARING SCHEME</b>	
	For the purposes of applying the <i>efficiency benefit sharing scheme</i> for the <i>forthcoming regulatory control period</i> in <i>regulatory template 4.1</i> :	
	(a) identify all cost categories proposed to be excluded from the operation of the <i>efficiency benefit sharing scheme</i> ; and	See section 12.2: Fees levied by TransGrid as coordinating TNSP under Rules 6A.29A.4 or 6A.29A.5.
	(b) explain the reasons for the proposed exclusion for each cost category identified in the response to paragraph (a).	These costs are not in Directlink's control.
<b>13.</b>	<b>SERVICE TARGET PERFORMANCE INCENTIVE SCHEME</b>	
13.1	For the service component of the scheme, provide:	
	(a) the values that Directlink proposes are to be attributed to the performance incentive scheme parameters for the purposes of the application to Directlink of the version 4 STPIS in the attached <i>regulatory template 4.2</i> .	See section 12.1.4, RIN Template 4.2.
	(b) an explanation of how the proposed values to be attributed to those performance incentive scheme parameters comply with the requirements of the version 4 STPIS	Details are provided in the Basis of preparation document at RIN Attachment 1.2
	(c) an explanation of the method used to calculate the proposed values to be attributed to those performance incentive scheme parameters and	Targets are based on the average of 5 years, and collars and caps are one standard deviation above and below the target.

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	provide supporting calculations	Details are provided in the Basis of preparation document at RIN Attachment 1.2
	(d) performance data (including outage and exclusion data) used to calculate the proposed performance targets in Excel spreadsheet format	See RIN Attachment 13.1(d)
	(e) an explanation that data provided in (d) are consistently recorded based on the parameter definitions that apply to Directlink under the service component of the version 4 SPTIS.	The calculations in RIN Attachment 13.1(d) have been performed in accordance with the AER's <i>Final Electricity transmission network service providers Service target performance incentive scheme</i> , December 2012
13.2	For the market impact component of the scheme, provide performance data in accordance with appendix C of the Version 4 of the STPIS for the 2011, 2012, 2013 and 2014 calendar years.	As discussed with the AER at the officer level, as the MIC has not historically applied to Directlink. Directlink has not collected this information and is therefore not able to provide it.
	(a) The data is to be submitted using the Market Impact Component excel workbook (MIC workbook) attached to the Appendix A to the Notice.	
	(b) The MIC workbook requests, but is not limited to, the following information [see text in MIC Workbook].	
<b>14.</b>	<b>SHARED ASSETS</b>	
14.1	Provide Directlink's shared assets information in <i>regulatory template 5.4</i> .	There are no Shared Assets.
<b>15.</b>	<b>TOTAL REVENUE CAP AND MAXIMUM ALLOWED REVENUE</b>	
15.1	Provide Directlink's calculation of the:	
	(a) estimated total revenue cap for the <i>forthcoming regulatory control period</i> ; and	See Table 11.6
	(b) maximum allowed revenue for each year of the <i>forthcoming regulatory control period</i> using the AER's <i>post-tax revenue model</i> , which is to be submitted as part of	See Table 11.6 The PTRM is submitted as Attachment 11.1.

	the <i>revenue proposal</i> .	
15.2	Provide details of any departure from the AER's <i>post-tax revenue model</i> for the calculations referred to in 15.1 and the reasons for that departure.	Directlink has not departed from the AER's published PTRM
<b>16.</b>	<b>REGULATORY ASSET BASE</b>	
16.1	Provide Directlink's calculation of the regulatory asset base (RAB) for the relevant transmission system for each regulatory year of the <i>current regulatory control period</i> using the AER's <i>roll forward model</i> , which is to be submitted as part of the <i>revenue proposal</i> .	The RFM has been used to calculate the RAB. See Attachment 5.1.
16.2	Provide details of any departure from the underlying methods in the AER's <i>roll forward model</i> for the calculation referred to in paragraph 16.1 and the reasons for that departure.	Section 5.2. The RFM has been adjusted to calculate real straight line depreciation only on the opening RAB to reflect forecast rather than actual depreciation.
16.3	If the value of the RAB as at the start of the <i>forthcoming regulatory control period</i> is proposed to be adjusted because of changes to asset service classification, provide details including relevant supporting information used to calculate that adjustment value.	Not Applicable
<b>17.</b>	<b>DEPRECIATION SCHEDULES</b>	
17.1	Provide Directlink's calculation of the depreciation amounts for the relevant transmission system for each regulatory year of:	
	(a) the <i>current regulatory control period</i> using the AER's <i>roll forward model</i> , which is to be submitted as part of the <i>revenue proposal</i> ; and	The RFM has been used to calculate historical depreciation. See Attachment 5.1.
	(b) the <i>forthcoming regulatory control period</i> using the AER's <i>post-tax revenue model</i> , which is to be submitted as part of the <i>revenue proposal</i> .	The PTRM has been used to calculate forecast depreciation. See Attachment 11.1.
17.2	Provide details of any departure from the underlying methods in the AER's <i>roll forward model</i> and <i>post-tax revenue model</i> for the calculations referred to in 17.1 and the reasons for that departure.	Section 5.2. The RFM has been adjusted to calculate real straight line depreciation only on the opening RAB to reflect forecast rather than actual depreciation.

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17.3	Identify any changes to standard asset lives for existing asset classes from the previous determination. Explain the reason/s for the change and provide relevant supporting information.	Section 10.2. The lives of the cables and converter stations have been aligned.
17.4	For any proposed new asset classes, explain the reason/s for using these new asset classes and provide relevant supporting information on their proposed standard asset lives.	There are no new asset classes
17.5	If existing asset classes from the previous determination are proposed to be removed and their residual values to be reallocated to other asset classes, explain the reason/s for the change and provide relevant supporting information. This should include a demonstration of the materiality of the change on the forecast depreciation allowance.	Not applicable.
17.6	Describe the method used to calculate the remaining asset lives for existing asset classes as at 1 July 2015 (the start of the <i>forthcoming regulatory control period</i> ) and provide supporting calculations, if the approach differs from that in the <i>roll forward model</i> .	30 June 2015 remaining lives calculated by the Roll Forward Model. PTRM inputs apply remaining life of converter stations to cables.
<b>18.</b>	<b>CORPORATE INCOME TAX</b>	
18.1	Provide Directlink's calculation of the estimated cost of corporate income tax for the <i>forthcoming regulatory control period</i> using the AER's <i>post-tax revenue model</i> , which is to be submitted as part of the <i>revenue proposal</i> .	Section 7. Tax is calculated using the PTRM.
18.2	Provide a demonstration that the calculation referred to in 18.1 complies with clause 6A.6.4 of the NER.	Directlink has relied on the PTRM. To the extent the PTRM calculates tax in accordance with clause 6A.6.4 of the NER then Directlink's calculation of tax will be accordance with clause 6A.6.4 of the NER.
18.3	Provide details of any departure from the AER's <i>post-tax revenue model</i> for the calculations referred to in 18.1 and the reasons for that departure.	None.
18.4	Identify any changes to standard tax asset lives for existing asset classes from the previous determination. Explain the reason/s for the change and provide relevant supporting information, including Federal tax laws governing depreciation for tax purposes.	Section 7. The lives of the cables and converter stations have been aligned.



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18.5	Describe the method used to calculate the remaining tax asset lives as at 1 July 2015 and provide supporting calculations, if the approach differs from that in the AER's <i>roll forward model</i> .	30 June 2015 remaining lives calculated by the Roll Forward Model. PTRM inputs apply remaining life of converter stations to cables.
18.6	Provide Directlink's calculation of the tax asset base for the relevant transmission system for each regulatory year of the <i>current regulatory control period</i> using the AER's <i>roll forward model</i> , which is to be submitted as part of the <i>revenue proposal</i> .	Roll forward model used. See Attachment 5.1.
18.7	Provide details of any departure from the underlying methods in the AER's <i>roll forward model</i> for the calculation referred to in 18.6 and the reasons for that departure.	None.
18.8	Identify any differences in the capitalisation of expenditure for regulatory accounting purposes and tax accounting purposes. Provide reasons and supporting calculations to reconcile any differences between the two forms of accounts	None.
18.9	Provide calculations to demonstrate if a tax loss carried forward exist as at 1 July 2015. The figures used in these calculations, such as the revenue and operating expenses, should be actuals (with the exception of the final year of the <i>current regulatory control period</i> that requires an estimate). Identify and provide reasons for any assumptions applied to determine the value of any tax loss carried forward.	As per the AER's 2006 PTRM, there are no tax losses to be carried forward
<b>19.</b>	<b>CORPORATE STRUCTURE</b>	
19.1	Provide charts that set out:	
	(a) the group corporate structure of which Directlink is a part; and	See Section 1.1.3.
	(b) the organisational structure of Directlink.	See Attachment 9.3
<b>20.</b>	<b>FORECAST MAP OF TRANSMISSION SYSTEM</b>	
20.1	Provide a forecast map of Directlink's transmission system for the forthcoming	Section 1.5.

	regulatory control period.	
<b>21.</b>	<b>REVIEW REPORTS</b>	
21.1	Provide a Review Report in accordance with the requirements set out at Appendix C; and	See RIN Attachment 21.1.
21.2	Provide all reports from the Auditor to Directlink's management regarding the audit review and/or auditors' opinions or assessment.	There are none
<b>22.</b>	<b>BOARD RESOLUTION</b>	
22.1	Provide an extract from the board minutes or a resolution agreed to at a Directlink board meeting that confirms that, to the best of the Board's information, knowledge and belief, the information provided in the response to paragraph 1.1 (being the information to be provided in the <i>regulatory templates</i> attached at Appendix A) is true and accurate.	Attachment 1.2.
<b>23</b>	<b>TRANSITIONAL ISSUES</b>	
23.1	Provide information on existing potential transitional issues (expressly identified in the NER or otherwise) which Directlink expects will have a <i>material</i> impact on it and should be considered by the AER in making its <i>transmission determination</i> . For each issue, set out the following information:	
	(a) the transitional issue;	None.
	(b) what has caused the transitional issue;	
	(c) how the transitional issue impacts on Directlink; and	
	(d) how Directlink considers the transitional issue could be addressed.	
<b>24.</b>	<b>CONFIDENTIAL INFORMATION</b>	
24.1	This clause applies to any information Directlink provides:	

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	(a) in response to Schedule 1;	
	(b) in a regulatory proposal, <i>revenue proposal</i> , proposed negotiating framework, proposed pricing methodology, access arrangement proposal or access arrangement information for the regulatory control period (2015–16 to 2019–20) (a <b>Proposal</b> )	
	(c) in a revisions or amendments to a Proposal;	
	(d) in a submission it makes regarding a Proposal or a revised or amended Proposal;  (together, Directlink’s information).	
	If Directlink wishes to make a claim for confidentiality over any Directlink information, provide the details of that claim in accordance with the requirements of AER’s <i>Confidentiality guideline</i> , as if it extended and applied to that claim for confidentiality.	See Attachment 1.3.
	Provide any details of a claim for confidentiality in response to clause [sic] 25.2 at the same time as making the claim for confidentiality.	Attachment 1.3 provides information regarding the nominated averaging period for observing market-based cost of capital parameters.
	Confirm, in writing, that Directlink consents to the AER disclosing all other Directlink information on the AER website.	Aside from Attachment 1.3, Directlink accepts that all other information provided with this revenue proposal may be disclosed on the AER Website.

RIN Reference	RIN Requirement	Directlink Regulatory Proposal
<b>SCHEDULE 2</b>	Note: The information specified in the Microsoft Excel workbook attached at Appendix A and accompanying Basis of Preparation must be verified in accordance with the requirements of this <i>Notice</i> using the statutory declaration in Appendix B and audited or reviewed (as appropriate) in accordance with Appendix C.	
<b>1.</b>	<b>PREPARE INFORMATION</b>	
1.1	Prepare the Microsoft Excel workbooks attached at Appendix A in the manner and form specified in the worksheets therein and in accordance with this <i>Notice</i> .	Complying. See completed RIN templates
1.2	<p>For all information other than Forecast Information, prepare a Basis of Preparation in accordance with the requirements specified in Schedule 1. The Basis of Preparation must:</p> <ul style="list-style-type: none"> <li>(a) demonstrate how the information provided is consistent with the requirements of this Notice;</li> <li>(b) explain the source from which Directlink obtained the information provided;</li> <li>(c) explain the methodology Directlink applied to provide the required information, including any assumptions Directlink made;</li> <li>(d) explain, in circumstances where Directlink cannot provide input for a Variable using Actual Information and therefore must provide input using Estimated Information: <ul style="list-style-type: none"> <li>(1) why an estimate was required, including why it was not possible for Directlink to use Actual Financial Information or Actual Non-financial Information (as the case may be, depending on the Variable);</li> <li>(2) the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Directlink's best estimate, given the information sought in this Notice.</li> </ul> </li> </ul>	Basis of preparation document provided as RIN Attachment 1.2

RIN Reference	RIN Requirement	Directlink Regulatory Proposal
1.3	<p>Prepare all information required under this Notice in a manner and form:</p> <p>(a) that is in accordance with the requirements specified at Schedule 1;</p> <p>(b) which:</p> <p>(i) is in an electronic format;</p> <p>(ii) includes (where applicable) any underlying calculations and formulae;</p> <p>(iii) is not password protected; and</p> <p>(iv) is capable of text selection and a 'copy and paste' function being applied to it.</p> <p>(c) that is readily available for inspection by, or submission to, the AER.</p> <p>1.4 Prepare, using a person(s) who satisfies the requirements of paragraph 2 of Appendix C, Review Report(s) (as applicable) in accordance with the requirements of this Notice.</p>	<p>Complying. See completed RIN templates and models accompanying the submission</p>

### Requirements under the *National Electricity Rules*<sup>1</sup>

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
6A.4.1	(b) a <i>Revenue Proposal</i> must comply with the requirements of this Chapter 6A, and in particular must:	
	(1) be prepared using the <i>post-tax revenue model</i> referred to in rule 6A.5;	See completed PTRM at Attachment 11.1
	(2) comply with the requirements of, and contain or be accompanied by the information required by, any relevant <i>regulatory information instrument</i> ; and	See RIN compliance table above for demonstration of compliance with RIN issued by the AER
	(3) contain the information and matters specified in Schedule 6A.1.	See Schedule 6A.1 checklist below.
6A.4.2	(a) A revenue determination for a Transmission Network Service Provider is to specify, for a regulatory control period, the following matters:	
	(1) the amount of the estimated <i>total revenue cap</i> for the <i>regulatory control period</i> or the method of calculating that amount;	See Table 11.6
	(2) the <i>annual building block revenue requirement</i> for each <i>regulatory year</i> of the <i>regulatory control period</i> ;	See section 11, and Table 11.6
	(3) the amount of the <i>maximum allowed revenue</i> for each <i>regulatory year</i> of the <i>regulatory control period</i> or the method of calculating that amount;	See section 11, and Table 11.7

<sup>1</sup> It should be noted that some of these requirements are requirements on the AER in respect of its determination on Directlink's allowed revenue, rather than requirements pertaining to Directlink's revenue proposal. These references are intended to assist the AER in reaching a conclusion that the Directlink revenue proposal is reasonable as filed.

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	(3A) the regulatory asset base as at the commencement of the <i>regulatory control period</i> ;	See section 11, and Table 11.1
	(4) appropriate methodologies for the indexation of the regulatory asset base;	See section 2.5.1.
	(5) the values that are to be attributed to the <i>performance incentive scheme parameters</i> for the purposes of the application to the <i>Transmission Network Service Provider</i> of any <i>service target performance incentive scheme</i> that applies in respect of the <i>regulatory control period</i> ;	See section 12.1.3.
	(6) the values that are to be attributed to the efficiency benefit sharing scheme parameters for the purposes of the application to the <i>Transmission Network Service Provider</i> of any efficiency benefit sharing scheme that applies in respect of the <i>regulatory control period</i> ;	See section 11. The EBSS did not apply in the 2006-15 regulatory period.
	(6A) how any <i>capital expenditure sharing scheme</i> or <i>small-scale incentive scheme</i> is to apply to the <i>Transmission Network Service Provider</i> ; and	See section 11, and Table 11.6. Per the AER's Framework and Approach Paper, the Small Scale Incentive Scheme does not apply.
	(7) the commencement and length of the <i>regulatory control period</i> ; and	See section 1.3.
	(a1) A <i>revenue determination</i> for a <i>Transmission Network Service Provider</i> is also to specify whether depreciation for establishing the regulatory asset base as at the commencement of the following <i>regulatory control period</i> is to be based on actual or forecast capital expenditure.	See section 10.4. Depreciation for establishing the regulatory asset base as at the commencement of the 2020-2025 regulatory control period is to be based on forecast capital expenditure.
	(c) A <i>regulatory control period</i> in respect of a <i>Transmission Network Service Provider</i> must be not less than 5 <i>regulatory years</i> .	See section 1.3.
6A.5.1	(a) The provider is required to prepare the <i>Revenue Proposal</i> using a <i>post-tax revenue model</i> in relation to that proposal, in accordance with	PTRM has been used. See Attachment 11.1.

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	the requirements of this Chapter 6A.	
6A.5.4	<p>(a) Building blocks generally</p> <p>The <i>annual building block revenue requirement</i> for a <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> of a <i>regulatory control period</i> must be determined using a building blocks approach, under which the building blocks are:</p> <ol style="list-style-type: none"> <li>(1) indexation of the regulatory asset base - see paragraph (b)(1);</li> <li>(2) a return on capital for that year - see paragraph (b)(2);</li> <li>(3) the depreciation for that year - see paragraph (b)(3);</li> <li>(4) the estimated cost of corporate income tax of the <i>Transmission Network Service Provider</i> for that year - see paragraph (b)(4);</li> <li>(5) the revenue increments or decrements (if any) for that year arising from the application of any <i>efficiency benefit sharing scheme</i>, <i>capital expenditure sharing scheme</i>, <i>service target performance incentive scheme</i> or <i>small-scale incentive scheme</i> - see paragraph (b)(5);</li> <li>(5A) the revenue decrements (if any) arising from the use of assets that provide prescribed transmission services to provide certain other services – see paragraph (b)(5A);</li> <li>(6) the forecast operating expenditure accepted or substituted by the AER for that year – see paragraph (b)(6); and</li> <li>(7) compensation for other risks - see paragraph (b)(7).</li> </ol>	See section 11
6A.6.1	Regulatory asset base roll forward	See roll forward model filed at Attachment 5.1.
	(e)(3) the roll forward of the regulatory asset base from the immediately preceding <i>regulatory control period</i> to the beginning of the first <i>regulatory year</i> of a subsequent <i>regulatory control period</i> entails the	



Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	value of the first mentioned regulatory asset base being adjusted for outturn inflation, consistent with the methodology that was used in the <i>transmission determination</i> (if any) for the first mentioned <i>regulatory control period</i> for the indexation of the <i>maximum allowed revenue</i> during that <i>regulatory control period</i> .	
6A.6.2	Return on Capital	See Table 11.2
	(a) The return on capital for each <i>regulatory year</i> must be calculated by applying a rate of return for the relevant <i>Transmission Network Service Provider</i> for that <i>regulatory year</i> that is determined in accordance with this clause 6A.6.2 (the <i>allowed rate of return</i> ) to the value of the regulatory asset base for the relevant <i>transmission system</i> as at the beginning of that <i>regulatory year</i> (as established in accordance with clause 6A.6.1 and schedule 6A.2).	
	<b>Allowed rate of return</b>	
	(b) The <i>allowed rate of return</i> is to be determined such that it achieves the <i>allowed rate of return objective</i> .	See section 6
	(d) Subject to paragraph (b), the <i>allowed rate of return</i> for a <i>regulatory year</i> must be:	
	(1) a weighted average of the return on equity for the <i>regulatory control period</i> in which that <i>regulatory year</i> occurs (as estimated under paragraph (f)) and the return on debt for that <i>regulatory year</i> (as estimated under paragraph (h)); and	See Table 6.1
	(2) determined on a nominal vanilla basis that is consistent with the estimate of the value of imputation credits referred to in clause 6A.6.4.	See section 7 and Attachments 7.1 and 7.2.
6A.6.3	Depreciation	Depreciation is calculated by the PTRM. See Attachment 11.1.

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
6A.6.4	Estimated cost of corporate income tax	Tax is calculated by the PTRM. See Attachment 11.1.
6A.6.5	Efficiency benefit sharing scheme	See section 12.2.
6A.6.6	Forecast operating expenditure	
	(a) A <i>Revenue Proposal</i> must include the total forecast operating expenditure for the relevant <i>regulatory control period</i> which the <i>Transmission Network Service Provider</i> considers is required in order to achieve each of the following (the <i>operating expenditure objectives</i> ):	See section 9
	(1) meet or manage the expected demand for <i>prescribed transmission services</i> over that period;	Directlink has no demand-driven expenditure. See sections 1.1.2 and 2.3.
	(2) comply with all applicable <i>regulatory obligations or requirements</i> associated with the provision of <i>prescribed transmission services</i> ;	See sections 2.2, 9.3 and 9.4
	(3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> ...: to the relevant extent:  (iii) <i>maintain the quality, reliability and security of supply of prescribed transmission services; and</i>  (iv) <i>maintain the reliability and security of the transmission system through the supply of prescribed transmission services; and</i>	See sections 4.4, 9.4 and 9.7
	(4) maintain the safety of the <i>transmission system</i> through the supply of <i>prescribed transmission services</i> .	See sections 2.2 and 9.4
	(b) The forecast of required operating expenditure of a <i>Transmission Network Service Provider</i> that is included in a <i>Revenue Proposal</i> must: ...	

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	(1) comply with the requirements of any relevant <i>regulatory information instrument</i> ;	See RIN compliance table above for demonstration of compliance with RIN issued by the AER
	(2) be for expenditure that is properly allocated to <i>prescribed transmission services</i> in accordance with the principles and policies set out in the <i>Cost Allocation Methodology for the Transmission Network Service Provider</i> ; and	See section 1.4. Directlink provides only prescribed transmission services, with no negotiated services.
	(3) include both: (i) the total of the forecast operating expenditure for the relevant regulatory control period; and (ii) the forecast operating expenditure for each regulatory year of the relevant regulatory control period.	See section 9.9
6A.6.7	<b>Forecast capital expenditure</b>	
	(a) A <i>Revenue Proposal</i> must include the total forecast capital expenditure for the relevant <i>regulatory control period</i> which the <i>Transmission Network Service Provider</i> considers is required in order to achieve each of the following (the <i>capital expenditure objectives</i> ):	
	(1) meet or manage the expected demand for <i>prescribed transmission services</i> over that period;	See section 8.3,
	(2) comply with all applicable <i>regulatory obligations or requirements</i> associated with the provision of <i>prescribed transmission services</i> ;	See sections 2.2, 8.7, Asset Management Plan (Attachment 3.1) and Business Cases (Attachment 8.1)
	(3) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to: (i) <i>the quality, reliability or security of supply of prescribed transmission services</i> ; or	See section 2.3, 4.4, 8.3, 8.4 and 8.7, Asset Management Plan (Attachment 3.1) and Business Cases (Attachment 8.1)

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<p>(ii) <i>the reliability or security of the transmission system through the supply of prescribed transmission services,</i></p> <p>to the relevant extent:</p> <p>(iii) <i>maintain the quality, reliability and security of supply of prescribed transmission services; and</i></p> <p>(iv) <i>maintain the reliability and security of the transmission system through the supply of prescribed transmission services; and</i></p>	
	<p>(4) <i>maintain the safety of the transmission system through the supply of prescribed transmission services.</i></p>	See section 2.2, 8.3, 8.4 and 8.7, Asset Management Plan (Attachment 3.1) and Business Cases (Attachment 8.1)
	<p>(b) The forecast of required capital expenditure of a <i>Transmission Network Service Provider</i> that is included in a <i>Revenue Proposal</i> must:</p>	
	<p>(1) <i>comply with the requirements of any relevant regulatory information instrument;</i></p>	See RIN compliance table above for demonstration of compliance with RIN issued by the AER
	<p>(2) <i>be for expenditure that is properly allocated to prescribed transmission services in accordance with the principles and policies set out in the Cost Allocation Methodology for the Transmission Network Service Provider;</i></p>	See section 1.4. Directlink provides only prescribed transmission services, with no negotiated services.
	<p>(3) include both:</p> <p>(i) <i>the total of the forecast capital expenditure for the relevant regulatory control period; and</i></p> <p>(ii) <i>the forecast capital expenditure for each regulatory year of the relevant regulatory control period; and</i></p>	See Table 8.2
	<p>(4) identify any forecast capital expenditure:</p>	

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	(i) that is for a <i>reliability augmentation</i> ; or	There are no reliability augmentations proposed for the regulatory control period
	(ii) that is for an option that has satisfied the <i>regulatory investment test for distribution</i> or <i>regulatory investment test for transmission</i> (as the case may be).	There are no projects that required assessment under the regulatory investment test proposed for the regulatory control period
6A.6.8	The X factor	
	(a) A revenue determination is to include the X factor for each regulatory year for a Transmission Network Service Provider.	See Table 11.7
	(c) The X factor for each <i>regulatory year</i> must be such that:	
	<p>(1) the net present value of the expected <i>maximum allowed revenue</i> for the relevant <i>Transmission Network Service Provider</i> for each <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>) is equal to the net present value of the <i>annual building block revenue requirement</i> for the provider for each <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>); and</p> <p>(2) the expected <i>maximum allowed revenue</i> for the provider for the last <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>) is as close as reasonably possible to the <i>annual building block revenue requirement</i> for the provider for that <i>regulatory year</i> (as calculated in accordance with the <i>post-tax revenue model</i>).</p>	See section 11.4
6A.6.9	Pass through events	
	(a) A <i>Revenue Proposal</i> may include a proposal as to the events that should be defined as <i>pass through events</i> under clause 6A.7.3(a1)(5) having regard to the <i>nominated pass through event considerations</i> .	See section 9.10

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
6A.9.5	<p><b>Preparation of and requirements for negotiating framework</b></p> <p>(a) A <i>Transmission Network Service Provider</i> must prepare a document (the <b>negotiating framework</b>) setting out the procedure to be followed during negotiations between that provider and any person (the <b>Service Applicant</b> or applicant) who wishes to receive a <i>negotiated transmission service</i> from the provider, as to the <i>terms and conditions of access</i> for provision of the service.</p> <p>(b) The <i>negotiating framework</i> for a <i>Transmission Network Service Provider</i> must comply with and be consistent with:</p> <ol style="list-style-type: none"> <li>(1) the applicable requirements of a <i>transmission determination</i> applying to the provider; and</li> <li>(2) paragraph (c), which sets out the minimum requirements for a <i>negotiating framework</i>.</li> </ol> <p>(c) The <i>negotiating framework</i> for a <i>Transmission Network Service Provider</i> must specify:</p> <ol style="list-style-type: none"> <li>(1) a requirement for the provider and a <i>Service Applicant</i> to negotiate in good faith the <i>terms and conditions of access</i> for provision of the <i>negotiated transmission service</i>;</li> <li>(2) a requirement for the provider to provide all such commercial information as a <i>Service Applicant</i> may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the <i>negotiated transmission service</i>, including the cost information described in subparagraph (3);</li> <li>(3) a requirement for the provider: <ol style="list-style-type: none"> <li>(i) to identify and inform a <i>Service Applicant</i> of the reasonable costs and/or the increase or decrease in costs (as appropriate) of providing the <i>negotiated transmission service</i>; and</li> <li>(ii) to demonstrate to a <i>Service Applicant</i> that the charges for providing the <i>negotiated transmission</i></li> </ol> </li> </ol>	<p>The complying Negotiating Framework is included as Attachment 13.1.</p>

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<p style="text-align: center;"><i>service</i> reflect those costs and/or the cost increment or decrement (as appropriate);</p> <p>(4) a requirement for a <i>Service Applicant</i> to provide all such commercial information as the provider may reasonably require to enable the provider to engage in effective negotiation with that applicant for the provision of the <i>negotiated transmission service</i>;</p> <p>(5) a reasonable period of time for commencing, progressing and finalising negotiations with a <i>Service Applicant</i> for the provision of the <i>negotiated transmission service</i>, and a requirement that each party to the negotiation must use its reasonable endeavours to adhere to those time periods during the negotiation;</p> <p>(6) a process for dispute resolution which provides that all disputes as to the <i>terms and conditions of access</i> for provision of <i>negotiated transmission services</i> are to be dealt with in accordance with Part K of this Chapter 6A;</p> <p>(7) the arrangements for payment by a <i>Service Applicant</i> of the provider's reasonable direct expenses incurred in processing the application to provide the <i>negotiated transmission service</i>;</p> <p>(8) a requirement that the <i>Transmission Network Service Provider</i> determine the potential impact on other <i>Transmission Network Users</i> of the provision of the <i>negotiated transmission service</i>; and</p> <p>(9) a requirement that the <i>Transmission Network Service Provider</i> must notify and consult with any affected <i>Transmission Network Users</i> and ensure that the provision of the <i>negotiated transmission services</i> does not result in non-compliance with obligations in relation to other <i>Transmission Network Users</i> under the <i>Rules</i>.</p> <p>(d) Notwithstanding the foregoing, the <i>negotiating framework</i> must not be inconsistent with any of the other requirements of Chapters 4, 5 and</p>	

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<p>this Chapter 6A of the <i>Rules</i> and, in the event of any inconsistency, the other requirements in the <i>Rules</i> prevail.</p>	
6A.10.1B	<p>Notification of approach to forecasting expenditure</p> <p>(a) A <i>Transmission Network Service Provider</i> must inform the <i>AER</i> of the methodology it proposes to use to prepare the forecasts of operating expenditure and capital expenditure that form part of its <i>Revenue Proposal</i>.</p> <p>(b) A <i>Transmission Network Service Provider</i> must submit the information referred to in paragraph (a):</p> <p>(1) at least 24 months<sup>2</sup> before the expiry of a <i>revenue determination</i> that applies to the <i>Transmission Network Service Provider</i>; or</p> <p>(2) if no <i>revenue determination</i> applies to the <i>Transmission Network Service Provider</i>, within 3 months after being required to do so by the <i>AER</i>.</p>	<p>The Directlink Forecasting Methodology was lodged 30 November 2013.</p>
6A.10.1	<p>Submission of proposal, framework, pricing methodology and information</p> <p>(a) A <i>Transmission Network Service Provider</i> must submit to the <i>AER</i> a <i>Revenue Proposal</i> and a proposed <i>pricing methodology</i> relating to the <i>prescribed transmission services</i> that are provided by means of, or in connection with, a <i>transmission system</i> that is owned, controlled or operated by that <i>Transmission Network Service Provider</i>.</p> <p>(1) if any of those <i>prescribed transmission services</i> are subject to a <i>transmission determination</i>, 17 months<sup>3</sup> before the expiry of the period in respect of which that <i>transmission determination</i></p>	<p>This document is an attachment to the Revenue Proposal. The Pricing Methodology is attached as Attachment 13.2.</p>

<sup>2</sup> Transitional Rule 11.58.4(n) provides for Directlink to file this document 19 months prior to the commencement of the regulatory period, or by 30 November 2013.

<sup>3</sup> Transitional Rule 11.58.4(n) provides for Directlink to file this document 13 months prior to the commencement of the regulatory period, or by 31 May 2014.



Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<p>applies; or</p> <p>(2) if any of those <i>prescribed transmission services</i> are not subject to a <i>transmission determination</i>, 3 months after being required to do so by the <i>AER</i>.</p>	
	<p>(b) At the same time as it submits a <i>Revenue Proposal</i> under paragraph (a), the <i>Transmission Network Service Provider</i> must also submit to the <i>AER</i> a proposed <i>negotiating framework</i>.</p> <p>(c) The <i>Revenue Proposal</i> and the proposed <i>negotiating framework</i> must comply with the requirements of, and must contain or be accompanied by such information as is required by, any relevant <i>regulatory information instrument</i>.</p> <p>(d) The proposed <i>negotiating framework</i> must also comply with the requirements of clause 6A.9.5.</p>	<p>See section 13.1.</p> <p>Directlink Negotiating Framework included as Attachment 13.1.</p>
	<p>(e) A proposed <i>pricing methodology</i> must:</p> <p>(1) give effect to and be consistent with the <i>Pricing Principles for Prescribed Transmission Services</i>; and</p> <p>(2) comply with the requirements of, and contain or be accompanied by such information as is required by, the <i>pricing methodology guidelines</i> made for that purpose under rule 6A.25.</p>	<p>See section 13.2.</p> <p>Directlink Pricing Methodology included as Attachment 13.2.</p>
	<p>(f) The <i>Revenue Proposal</i> must also:</p> <p>(1) include a statement of whether it is consistent with the most recent <i>NTNDP</i> and, if it is inconsistent, identify and give reasons for the inconsistency; and</p> <p>(2) identify any parts of the <i>Revenue Proposal</i> or the proposed pricing methodology the <i>Transmission Network Service Provider</i> claims to be confidential and wants suppressed from publication on that ground in accordance with the <i>Transmission Confidentiality Guidelines</i>.</p>	<p>See section 8.1. The AEMO 2013 NTNDP modelling has not identified a requirement for major investment in inter-regional augmentations following the completion of the Victoria–South Australia augmentation.</p> <p>The Directlink Revenue proposal does not propose any augmentation.</p>

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<p>(g) The <i>Revenue Proposal</i> must be accompanied by an overview paper which includes each of the following matters:</p> <ul style="list-style-type: none"> <li>(1) a summary of the <i>Revenue Proposal</i> the purpose of which is to explain the <i>Revenue Proposal</i> in reasonably plain language to electricity consumers;</li> <li>(2) a description of how the <i>Transmission Network Service Provider</i> has engaged with electricity consumers and has sought to address any relevant concerns identified as a result of that engagement;</li> <li>(3) a description of the key risks and benefits of the <i>Revenue Proposal</i> for electricity consumers; and</li> <li>(4) a comparison of the <i>Transmission Network Service Provider's</i> proposed total revenue cap with its total revenue cap for the current <i>regulatory control period</i>.</li> </ul>	<p>See Directlink Revenue Proposal Overview Paper lodged with the Revenue Proposal.</p>
	<p>(h) The <i>Revenue Proposal</i> must be accompanied by information required by the <i>Expenditure Forecast Assessment Guidelines</i> as set out in the <i>framework and approach paper</i>.</p>	<p>The Framework and Approach paper acknowledged the smaller scale of Directlink's assets and nature of its network operations, and advised that the AER does not intend applying standardised benchmarking analysis. The information sought from Directlink through the regulatory information notice does not include the same standardised data on expenditures and related benchmarking measures that are set out in the guideline.</p> <p>This Revenue Proposal and supporting documents provides the AER with the information required to undertake an assessment of Directlink's capital and operating expenditure forecasts.</p>
Schedule 6A.1	Contents of Revenue Proposals	
S6A.1.1	Information and matters relating to capital expenditure	

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	A Revenue Proposal must contain at least the following information and matters relating to capital expenditure:	
	<p>(1) a forecast of the required capital expenditure that complies with the requirements of clause 6A.6.7 and identifies the forecast capital expenditure by reference to well accepted categories such as:</p> <ul style="list-style-type: none"> <li>(i) asset class (eg. transmission lines, substations etc); or</li> <li>(ii) category driver (eg. regulatory obligations or requirements, replacement, reliability, net market benefit, business support etc),</li> </ul> <p>and identifies, in respect of proposed material assets:</p> <ul style="list-style-type: none"> <li>(iii) the location of the proposed asset;</li> <li>(iv) the anticipated or known cost of the proposed asset; and</li> <li>(v) the categories of transmission services which are to be provided by the proposed asset;</li> </ul>	See section 8, Asset Management Plan and Project Business Cases
	(2) the methodology used for developing the capital expenditure forecast;	See section 8.5, Asset Management Plan and Project Business Cases
	(3) the forecasts of load growth relied upon to derive the capital expenditure forecasts and the methodology used for developing those forecasts of load growth;	Directlink has not proposed any augmentation capital expenditure
	(4) the key assumptions that underlie the capital expenditure forecast;	There are no assumptions underlying the capital expenditure forecast
	(5) a certification of the reasonableness of the key assumptions by the directors of the Transmission Network Service Provider;	See Attachment 1.2
	(6) capital expenditure for each of the past regulatory years of the previous and current regulatory control period, and the expected capital expenditure for each of the last two regulatory years of the current regulatory control period, categorised in the same way as for the capital expenditure forecast and separately identifying for each	<p>Directlink has only had one regulatory control period (the current period), spanning 10 years to 30 June 2015.</p> <p>Capital expenditure for each of the final 5 years of the current regulatory period is set out in Table 4.1, and capital expenditure for each year of the whole</p>

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	such regulatory year:	period is provided in RIN template 2.2. Capital expenditure has been categorised on the same basis as forecast.
	(i) margins paid or expected to be paid by the Transmission Network Service Provider in circumstances where those margins are referable to arrangements that do not reflect arm's length terms; and	Directlink has no arrangements that do not reflect arm's length terms. Details of the Management, Operations and Maintenance and Commercial Services Agreement (MOMSCA) are set out in section 9.6 and Attachment 9.4. The MOMSCA is attached as RIN Attachment 1.5(c).
	(ii) expenditure that should have been treated as operating expenditure in accordance with the policy submitted under paragraph (9) for that regulatory year;	Directlink has complied with the capitalisation policy applying to the business
	(7) an explanation of any significant variations in the forecast capital expenditure from historical capital expenditure;	See section 8.2
	(8) any non-network alternatives considered by the Transmission Network Service Provider; and	Directlink has no capital projects suitable for deferral or replacement by non-network alternatives.
	(9) the policy that the Transmission Network Service Provider applies in capitalising operating expenditure.	See RIN Attachment 5.3
S6A.1.2	Information and matters relating to operating expenditure	
	A Revenue Proposal must contain at least the following information and matters relating to operating expenditure:	
	(1) a forecast of the required operating expenditure that complies with the requirements of clause 6A.6.6 and identifies the forecast operating expenditure by reference to well accepted categories such as: <ul style="list-style-type: none"> <li>(i) particular programs; or</li> <li>(ii) types of operating expenditure (eg. maintenance, payroll, materials etc),</li> </ul>	See section 9 and Attachments 9.1, 9.2, 9.3, 9.4 and 9.5.

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<p>and identifies in respect of each such category:</p> <p>(iii) to what extent that forecast expenditure is on costs that are fixed and to what extent it is on costs that are variable; and</p> <p>(iv) the categories of transmission services to which that forecast expenditure relates;.</p>	
	(2) the methodology used for developing the operating expenditure forecast;	See section 9.2, 9.3, and Attachments 9.1, 9.2, 9.3 and 9.5
	(3) the forecasts of key variables relied upon to derive the operating expenditure forecast and the methodology used for developing those forecasts of key variables;	See section 9.8 and Attachment 9.3
	(4) the methodology used for determining the cost associated with planned maintenance programs designed to improve the performance of the relevant transmission system for the purposes of any service target performance incentive scheme that is to apply to the Transmission Network Service Provider in respect of the relevant regulatory control period;	See sections 9.3 and 9.3 and Attachments 9.1, 9.2 and 9.3
	(5) the key assumptions that underlie the operating expenditure forecast;	There are no assumptions underlying the operating expenditure forecast
	(6) a certification of the reasonableness of the key assumptions by the directors of the Transmission Network Service Provider;	See Attachment 1.2
	(7) operating expenditure for each of the first three regulatory years of the current regulatory control period, and the expected operating expenditure for each of the last two regulatory years of that regulatory control period, categorised in the same way as for the operating expenditure forecast;	<p>Operating expenditure for each of the final 5 years of the current regulatory period is set out in Table 4.2, and operating expenditure for each year of the whole period is provided in RIN template 2.1.</p> <p>Operating expenditure has been categorised on the same basis as forecast.</p>
	(8) an explanation of any significant variations in the forecast operating expenditure from historical operating expenditure; and	Section 4.3.1.

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	(9) any non-network alternatives considered by the Transmission Network Service Provider.	Directlink has no projects suitable for deferral or replacement by non-network alternatives.
S6A.1.3	Additional information and matters	
	A Revenue Proposal must contain at least the following additional information and matters:	
	(1) an identification and explanation of any significant interactions between the forecast capital expenditure and forecast operating expenditure programs;	See section 3.4.
	(2) the values that the Transmission Network Service Provider proposes are to be attributed to the performance incentive scheme parameters for the purposes of the application to the Transmission Network Service Provider of any service target performance incentive scheme that has been specified in a framework and approach paper and that applies in respect of the relevant regulatory control period, and an explanation of how the values proposed to be attributed to those parameters comply with any requirements relating to them set out in that scheme;	See section 12.1.
	(3) the values that the provider proposes are to be attributed to the efficiency benefit sharing scheme parameters for the purposes of the application to the Transmission Network Service Provider of any efficiency benefit sharing scheme that has been specified in a framework and approach paper that applies in respect of the relevant regulatory control period, and an explanation of how the values proposed to be attributed to those parameters comply with any relevant requirements set out in that scheme;	See section 12.2.
	(3A) a description, including relevant explanatory material, of how the Transmission Network Service Provider proposes any capital expenditure sharing scheme that has been specified in a framework and approach paper that applies in respect of the forthcoming revenue	See Section 12.3

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	determination should apply to it;	
	(3B) a description, including relevant explanatory material, of how the Transmission Network Service Provider proposes any small-scale incentive scheme that has been specified in a framework and approach paper that applies in respect of the forthcoming revenue determination should apply to it;	Per the AER's Framework and Approach Paper, the Small Scale Incentive Scheme does not apply.
	(4) the provider's calculation of:	
	(i) the estimated total revenue cap for it for the relevant regulatory control period; and	See Table 11.6
	(ii) the maximum allowed revenue for it for each regulatory year of the relevant regulatory control period,	See Table 11.6
	using the post-tax revenue model referred to in rule 6A.5, together with:	
	(iii) details of all amounts, values and other inputs used by the Transmission Network Service Provider for that purpose;	See section 11 and inputs to the PTRM (Attachment 11.1).
	(iv) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and	Directlink has used the AER's PTRM to derive its maximum allowable revenue. Other elements of Part C of Chapter 6A are addressed throughout the submission.
	(v) an explanation of the calculation of the amounts referred to in subparagraphs (i) and (ii) and of the amounts, values and inputs referred to in subparagraph (iii);	Directlink has used the AER's PTRM to derive its maximum allowable revenue. Discussion of each parameter is set out in the relevant sections of the revision proposal.
	(vi) where one of those amounts, values or inputs is the allowed rate of return, details of any departure from the Rate of Return Guidelines in calculating that allowed rate of return and the reasons for that departure;	See section 6.2. Directlink does not propose to depart from the AER's Rate of Return Guidelines in respect of the cost of capital.

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	(4A) the Transmission Network Service Provider's calculation of the proposed return on equity, return on debt and allowed rate of return, for each regulatory year of the regulatory control period, in accordance with clause 6A.6.2, including any departure from the methodologies set out in the Rate of Return Guidelines and the reasons for that departure;	This is conducted in the PTRM. Directlink does not propose to depart from the AER's Rate of Return Guideline as it relates to cost of capital matters.
	(4B) if the Transmission Network Service Provider proposes that the return on debt for a regulatory year of the regulatory control period is not to be determined using the methodology referred to in clause 6A.6.2(f)(2)(i), the formula it proposes should be applied in accordance with clause 6A.6.2(l);	While Directlink does not propose to depart from the AER's Rate of Return Guideline as it relates to cost of capital matters, Directlink recommends that the AER adopt the trailing average approach to cost of debt.
	(4C) the Transmission Network Service Provider's proposed value of imputation credits as referred to in clause 6A.6.4;	See section 7.1
	(5) the provider's calculation of the regulatory asset base for the relevant transmission system for each regulatory year of the relevant regulatory control period using the roll forward model referred to in clause 6A.6.1, together with:	See section 11 The RFM has been used to calculate the RAB. See Attachment 5.1.
	(i) details of all amounts, values and other inputs used by the Transmission Network Service Provider for that purpose;	See section 11 and inputs to the RFM
	(ii) a demonstration that any such amounts, values and other inputs comply with the relevant requirements of Part C of Chapter 6A; and	Directlink has used the AER's RFM to derive its Regulatory Asset Base. Other elements of Part C of Chapter 6A are addressed throughout the submission.
	(iii) an explanation of the calculation of the regulatory asset base for each regulatory year of the relevant regulatory control period and of the amounts, values and inputs referred to in subparagraph (i);	See section 11 and inputs to the RFM
	(7) the depreciation schedules nominated by the Transmission Network Service Provider for the purposes of clause 6A.6.3, which categorise	See section 10 and PTRM (Attachment 11.1)



Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<p>the relevant assets for these purposes by reference to well accepted categories such as:</p> <ul style="list-style-type: none"> <li>(i) asset class (eg transmission lines and substations); or</li> <li>(ii) category driver (eg regulatory obligations or requirements, replacement, reliability, net market benefit, and business support),</li> </ul> <p>and also by location, together with:</p> <ul style="list-style-type: none"> <li>(iii) details of all amounts, values and other inputs used by the Transmission Network Service Provider to compile those depreciation schedules;</li> <li>(iv) a demonstration that those depreciation schedules conform with the requirements set out in clause 6A.6.3(b); and</li> <li>(v) an explanation of the calculation of the amounts, values and inputs referred to in subparagraph (iii);</li> </ul>	
	<p>(8) the X factors nominated by the Transmission Network Service Provider for each regulatory year of the relevant regulatory control period for the purposes of clause 6A.6.8(a), together with a demonstration that those X factors comply with the requirements set out in clause 6A.6.8(b) of the Rules;</p>	<p>See section 11.4</p>
	<p>(9) the commencement and length of the regulatory control period proposed by the Transmission Network Service Provider; and</p>	<p>See section 1.3</p>
	<p>(10) if the Transmission Network Service Provider is seeking a determination by the AER that a proposed contingent project is a contingent project for the purposes of the relevant revenue determination:</p> <ul style="list-style-type: none"> <li>(i) a description of the proposed contingent project, including reasons why the Transmission Network Service Provider considers the project should be accepted as a contingent project for the regulatory control period;</li> </ul>	<p>Directlink has not proposed any contingent projects.</p>

Rule Reference	Rule Requirement	Directlink Regulatory Proposal
	<ul style="list-style-type: none"> <li>(ii) a forecast of the capital expenditure which the Transmission Network Service Provider considers is reasonably required for the purpose of undertaking the proposed contingent project;</li> <li>(iii) the methodology used for developing that forecast and the key assumptions that underlie it;</li> <li>(iv) information that demonstrates that the undertaking of the proposed contingent project is reasonably required in order to achieve one or more of the capital expenditure objectives;</li> <li>(v) information that demonstrates that the proposed contingent capital expenditure for the proposed contingent project complies with the requirements set out in clause 6A.8.1(b)(2); and</li> <li>(vi) the trigger events which are proposed in relation to the proposed contingent project and an explanation of how each of those conditions or events addresses the matters referred to in clause 6A.8.1(c).</li> </ul>	