

Lynley Jorgensen
Director
Australian Energy Regulator
Level 25
32 Turbot Street, Brisbane QLD 4000

Monday, 31 October 2022

Re: Framework and Approach Paper for Directlink

Dear Lynley

Directlink is a privately funded electricity transmission asset operated by the Directlink Joint Venture. This request is submitted by Energy Infrastructure Investments Pty Limited on behalf of the Directlink Joint Venture.

I am writing under 6a.10.1A(c)(1) to request that the AER amends or replaces the AER's framework and approach paper that currently applies to Directlink.

The Directlink regulatory control period ends on 30 June 2020. This request is more than 32 months in advance of that date as required by the National Electricity Rules.

Directlink requests an update of the framework and approach paper recognising the introduction of rule 6A.7.6 since the last Directlink Framework and Approach paper was produced for Directlink. Rule 6A.7.6 introduces a Demand management innovation allowance mechanism.

Demand Management Innovation Allowance Mechanism

The objective of the demand management innovation allowance mechanism is to provide Transmission Network Service Providers with funding for research and development in demand management projects that have the potential to reduce long term network costs.

As an interconnector there are features associated with Directlink making it impossible to design an effective demand management allowance that is proportionate with the size of Directlink revenues.

Directlink has no direct connected load or demand for a demand management innovation allowance to influence.

As an interconnector Directlink's primary role is, via AEMO dispatch, to lower the cost of wholesale electricity in the National Electricity Market by reducing price differentials between regions.

The only way for Directlink to reduce the demand on its capacity, and its expenditure, is to reduce demand in NSW or Queensland such that the incidence and scale of price differentials between the two markets were reduced. It is highly unlikely that the cost of such

an allowance would be proportionate to the costs savings of Directlink from avoided expenditure. Application of a demand management innovation allowance is not consistent with the National Electricity Objective.

We therefore propose that no demand management innovation allowance mechanism be applied to Directlink.

If you have any queries in relation to this matter please contact me on 02 9275 0010.

Yours sincerely

Mark Allen
Manager Regulatory