

10 July 2014

Mr Chris Pattas  
General Manager Networks  
Australian Energy Regulator  
Level 35, 360 Elizabeth Street  
Melbourne Victoria  
3000

By email: [chris.pattas@aer.gov.au](mailto:chris.pattas@aer.gov.au)

Dear Chris:

**Directlink Interconnector  
Proposed amendments to the Service Target Performance Incentive Scheme**

As discussed in the Directlink revenue proposal lodged on 2 June 2014, a Directlink converter station experienced a catastrophic failure and fire on 12 August 2012, which completely destroyed the converter station. The cause of the fire was indeterminate. As a precautionary measure, the other two circuits were taken off line in August 2013 to minimise the possibility of further damage. As a result, one of Directlink's three circuits has been off line from August 2012 and is expected to return to service in late 2015; the other two circuits were off line from August 2013 to January 2014.

On 28 May 2014 the AER released a draft decision and explanatory statement outlining its proposed changes to the STPIS to accommodate this period of abnormal operation.

In summary, the AER proposes to:

- exclude Directlink's performance against the market impact parameter for the period from the day of the Mullumbimby fire (12 August 2012) to the date when Directlink returned to normal service. This period of time is the "Directlink fire excluded period";
- set an expected "return to service" date of 31 December 2015, following which the STPIS will apply as normal;
- calculate the market impact parameter for Directlink over the preceding three calendar years excluding the Directlink fire excluded period;
- provide that no financial incentive payment will apply to Directlink during the Directlink fire excluded period.

Directlink accepts that these proposed revisions to the STPIS reasonably accommodate the abnormal operating conditions resulting from the Mullumbimby fire.

We would be pleased to discuss this matter at your convenience. Please feel free to contact me on (02) 9275 0031, or by email at [scott.young@apa.com.au](mailto:scott.young@apa.com.au).

Yours faithfully



Scott Young  
Regulatory Manager