



**DIRECTLINK JOINT VENTURE**

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17 November 2004

Mr Sebastian Roberts  
General Manager, Regulatory Affairs – Electricity  
Australian Competition and Consumer Commission  
470 Northbourne Avenue  
CANBERRA ACT 2600

Attention: Mr Sabesh Shivasabesan, Director - Electricity, Regulatory Affairs Division

Dear Mr Roberts

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

On 22 September 2004, the Directlink Joint Venturers lodged their revised Application for Conversion to a Prescribed Service and a Maximum Allowable Revenue to June 2015. The application indicated that the Directlink Joint Venturers propose that part of their allowed revenues be placed at risk as an incentive to meet a benchmarked level of performance in terms of availability in peak and off-peak periods.

The Directlink Joint Venturers have prepared this letter to bring forward their proposed performance incentive scheme (**Attachment 1**).

For the reasons set out in our original application of 6 May 2004, the Directlink Joint Venturers continue to recommend that the performance measure of transmission circuit availability captures all of Directlink's appropriate service attributes. Circuit availability is a standard measure of performance that is widely used for HVDC facilities such as Directlink. An international CIGRÉ Working Group has established a protocol for calculating and reporting the availability of HVDC transmission systems: Protocol for reporting the Operational Performance of HVDC Transmission Systems. A methodology for the calculation of availability for the Directlink asset is presented in Attachment 1.

Since Directlink came into commercial operation, it has provided a market network service. During this time, the Directlink Joint Venturers have had no implicit or explicit external obligation to maximise the availability of Directlink. Directlink's availability has been managed to provide the Directlink Joint Venturers with an opportunity to earn market network service revenue as and when these opportunities have arisen. Since January 2003, Directlink's availability with regard to scheduled and forced outages has been 99.6%

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and 80.9%, respectively. The Directlink Joint Venture studied Directlink's performance in detail and is initiating a range of equipment upgrades to significantly improve its availability.

Over the coming years, Directlink can achieve an availability target in the order of 99%. Consistent with the Commission's Service Standard Guidelines<sup>1</sup>, the Directlink Joint Venturers propose that 1% of their allowed revenues be placed at risk as an incentive to meet this benchmark level of performance in terms of forced availability in peak and off-peak periods and scheduled availability.

The Directlink Joint Venturers also continue to propose that, when making its determination of this Application, the Commission decides to review their performance incentive scheme 5 years after the Commission's determination takes effect.

The Directlink Joint Venturers remain happy to meet with the Commission to discuss this matter, or make our consultants and advisors available, at times and places to suit the Commission. Please feel free to contact Ms Sandra Gamble of The Allen Consulting Group if you need her assistance to arrange such meetings, another document for consultation or our advice on any matter pertaining to this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Stanley', with a stylized flourish at the end.

Dennis Stanley  
Directlink Joint Venture Manager

Encl.

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<sup>1</sup> ACCC, Decision: Statement of Principles for the Regulation of Transmission Revenues: Service Standard Guidelines ('**Service Standard Guidelines**'), 12 November 2003.

## ATTACHMENT 1

### PERFORMANCE INCENTIVE SCHEME

The Directlink Joint Venturers' proposed performance incentive scheme was presented in Tables H.1 and H.2 of their application of 6 May 2004.

The following is a consequential revision of Directlink Joint Venturers' proposed performance incentive scheme in the form set out in the Commission's Service Standards Guidelines and in the Commission's previous transmission revenue decisions. Table 1 replaces Table H.1 of the application and Table 2 replaces Table H.2.

Table 1

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#### PERFORMANCE INDICATOR DEFINITION – CIRCUIT AVAILABILITY

Sub-measures	Circuit Availability (Forced Peak) Circuit Availability (Forced Off-peak) Circuit Availability (Scheduled)
Unit of Measure	Percentage of total Circuit Hours that the Circuit is Available for a given Period and type of Outage Event
Scope of Data	Directlink Outage Register and Disturbance and Outage Report
General Definition/Formula	Formula: $100\% - \frac{\text{Hours of Total Capacity Unavailable in the Period in a Year} \times 100}{\text{Total Circuit Hours in the Period in that Year}}$ Definition: The proportion of hours the Circuit is Available during the Circuit Hours in a given Period each Year divided by the total Circuit Hours in the Period in that Year, weighted by unit.
Exclusions	The calculation of Circuit Hours and Circuit Availability will not include any time in which the Circuit is not Available as the result of an Excluded Event.

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Table 2

**TARGETS AND INCENTIVES FOR EACH PERFORMANCE SUB-MEASURE**

	Performance Sub-measure		
	Circuit Availability		
	Forced Peak	Forced Off-peak	Scheduled
Type of Outage Event	Forced	Forced	Scheduled
Period	Peak	Off-peak	Peak & Off-peak
Maximum Circuit Hours in the Period <sup>2</sup>	3780	4980	8760
Maximum penalty (% MAR)	0.35%	0.35%	0.30%
Performance for maximum penalty	98.47%	98.47%	98.90%
Target for 100% MAR <sup>3</sup>	99.23%	99.23%	99.45%
Performance for maximum reward	100.00%	100.00%	100.00%
Maximum reward (% MAR)	0.35%	0.35%	0.30%

***Adjustment to the Directlink Joint Venturers' MAR***

The Directlink Joint Venturers' MAR for the Year commencing on the next 1 July will be adjusted by the penalty or reward that is calculated for the Year that finished on the previous 30 December.

***Definitions***

In this performance incentive scheme capitalised terms have the following meanings.

**Authority** means NEMMCO, NECA and any:

- (a) government or regulatory department, body, instrumentality, minister, agency or other authority; or
- (b) body which is the successor to the administrative responsibilities of NEMMCO, NECA, department, body, instrumentality, minister, agency or authority.

The Circuit is **Available** in proportion to the extent to which one, two or three of its units are available.

**Available Circuit Hours** means the Total Circuit Hours in the Period in a Year minus the number of hours in the Year that the Circuit is not Available due to a Forced Outage Event or a Scheduled Outage event, as appropriate.

<sup>2</sup> Maximum Circuit Hours in the Period are calculated as the number of hours in the Period in the year commencing 1 July 2005 and are presented for illustrative purposes only.

<sup>3</sup> Performance targets for Peak and Off-peak Periods are calculated as percentages of Peak and Off-peak Periods rather than percentages of total time.

**Circuit** means the Directlink HVDC transmission asset (converter stations, cables and substation equipment, etc.) between and including the connection points set down in the Directlink Joint Venturers' connection agreement with Country Energy.

**Disconnection** means to operate switching equipment or to remove or alter assets so that electricity is unavailable to be supplied to or received from the Circuit.

An **Excluded Event** is any event that causes the Circuit to be not Available and that is shown to be the result of:

- (a) a fault, other event or capacity constraint on a Third Party System (e.g. inter-trip signal, generator outage, reaching a thermal power flow or voltage limit, failure of SCADA or other communications system);
- (b) an instruction or direction from an Authority;
- (c) Disconnection, Interruption or Works by Country Energy, TransGrid or Powerlink Queensland;
- (d) damage to the Circuit's cable or equipment that results from action by a third party that, in the opinion of the Commission, the Directlink Joint Venture Partners' best endeavours were unable to prevent; or
- (e) Force Majeure Events.

**Forced Outage Event** means the actual or imminent occurrence of an event, other than an Excluded Event, that poses or has the potential to pose an immediate threat to the safety of persons, hazard to any equipment or property or a threat to power system security, and that results in the Circuit being not Available.

**Force Majeure Event** includes any event, act or circumstance or combination of events, acts and circumstances which (despite the observance of good electricity industry practice) is beyond the reasonable control of the Directlink Joint Venturers and that results in the Circuit being not Available, which event, act or circumstance may include, without limitation, the following:

- (a) fire, lightning, explosion, flood, earthquake, storm, cyclone, action of the elements, riots, civil commotion, malicious damage, natural disaster, sabotage, act of a public enemy, act of God, war (declared or undeclared), blockage, revolution, radioactive contamination, toxic or dangerous chemical contamination or force of nature;
- (b) action or inaction by a court, government agency (including denial, refusal or failure to grant any authorisation, despite timely best endeavour to obtain same);
- (c) strikes, lockouts, industrial and/or labour disputes and/or difficulties, work bans, blockades or picketing; or
- (d) acts or omissions (other than a failure to pay money) of a party other than the Directlink Joint Venturers which party either is connected to or uses the high voltage grid, or is directly connected to or uses a system for the supply of electricity which in turn is connected to the high voltage grid, where those acts or omissions affect the ability of the Directlink Joint Venturers to perform its

obligations under the service standard by virtue of that direct or indirect connection to or use of the high voltage grid.

To avoid doubt, a Force Majeure Event specifically includes an event when the outcome is:

- (e) The loss of or damage to 11 or more control or secondary cables;
- (f) The loss or damage to two or more transformers and capacitor banks, either single or three phase, connected to a bus; or
- (g) The loss or damage to a transformer, capacitor bank, or reactor, which loss or damage is not repairable on site according to normal practices.

This is not intended to limit the definition of force majeure rather to provide guidance in its application.

**Interruption** means that electricity is temporarily unavailable to be supplied or received from Directlink.

**MAR** means the maximum allowable revenue determined by the Commission under the National Electricity Code.

**Peak Period** is between 7.00 am to 10.00 pm on weekdays excluding public holidays in New South Wales or in Queensland.

**Off-peak Period** is all times other than Peak Period.

**SCADA** means supervisory, control and data acquisition system.

**Scheduled Outage Event** means the actual occurrence of an event, other than an Excluded Event or a Forced Outage Event, which results in the Circuit being not Available.

**Third Party System** means the apparatus, equipment, plant and buildings used to convey, and control the conveyance of, electricity to customers together with associated connection assets, owned or operated by a party other than the Directlink Joint Venturers.

**Total Capacity Unavailable Hours** means the number of hours in the Period in the Year minus the number of hours in the Year that the Circuit is not Available due to an Excluded Event.

**Unit** means one of the three units of the Circuit that each provide one third of its total transfer capability.

**Works** means installation, construction, commissioning, augmentation, extension, removal, inspection, testing, undertaking of repairs, undertaking of maintenance or connection of another network user to the third party system.

**Year** means a year commencing on 1 January, or part thereof with the regulatory control period.