



Our Ref: C2004/506-03
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1 December 2004

Mr Mark Hather
Director
Major Infrastructure Assessment
Department of Infrastructure, Planning and Natural Resources
GPO Box 3927
Sydney NSW 2001

Dear Mr Hather

Environmental approvals for electricity transmission lines

Thank you for meeting with ACCC staff on 22 July 2004 to discuss issues relating to the planning and environmental approval procedures for new transmission lines in New South Wales.

The ACCC is currently assessing the application by the Directlink Joint Venture (DJV) for the conversion of the Directlink interconnector from unregulated to regulated status.

The ACCC has indicated to DJV that, in determining an asset value for the interconnector, it would use the regulatory test, which is essentially a cost – benefit analysis of the technical and economic features of the interconnector. Under the regulatory test, an augmentation/interconnector satisfies the test if it maximises the net present value of the market benefit (total benefit less total cost) having regard to a number of alternative projects, timings and market development scenarios.

In summary, DJV has selected and assessed alternative projects which include varying degrees of undergrounding. As part of assessing DJV's application, the ACCC would consider the cost of those projects to the extent that the placement (overhead or underground) of the transmission lines on a hypothetical basis may have a material impact on the total cost of the project.

However, in identifying the alternatives to be considered, regard must also be had to whether an alternative can be implemented lawfully. So, for example, if a hypothetical interconnector could not lawfully be constructed above ground along its entire route, the ACCC would not usually consider that as an alternative option.

On 26 November 2004, the ACCC received its consultant's (PB Associates) final report in relation to DJV's application for conversion to a regulated interconnector. PB Associates' report established a suite of technically feasible alternatives through identifying the necessary network services delivered by Directlink as well as the range and costs of feasible alternatives. The report is now available for public consultation from the ACCC website: <http://www.accc.gov.au/content/index.phtml?itemId=504163>

PB Associates also discussed environmental issues in its report (see pages 17, 28 – 29). In particular, the report (in page 43) noted that:

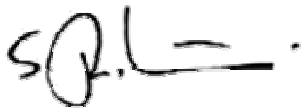
PB Associates has provided costs of a fully overhead line construction due to the fact that, in the absence of legal directives for undergrounding it is appropriate to assume least cost alternatives which in this case represent the overhead construction type.

In this context, the ACCC would appreciate obtaining written advice from the Department of Infrastructure, Planning and Natural Resources (DIPNR) with regard to:

- a) whether there are any legal obligations for undergrounding of transmission lines in the northern New South Wales region; and
- b) the assessment process that DIPNR would undertake in relation to the location of electricity transmission lines.

If you have any queries, please contact Kenny Yap on (02) 6243 1224.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S.R.', with a horizontal line extending to the right.

Sebastian Roberts
General Manager
Regulatory Affairs – Electricity