



DIRECTLINK JOINT VENTURE

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22 September 2004

Mr Graeme Samuel
Chairman
Australian Competition and Consumer Commission
470 Northbourne Avenue
CANBERRA ACT 2600

Attention: Mr Sebastian Roberts, General Manager, Regulatory Affairs – Electricity
Mr Sabesh Shivasabesan, Director - Electricity, Regulatory Affairs Division

Dear Mr Samuel

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

Please find enclosed an *Application for Conversion to a Prescribed Service and a Maximum Allowable Revenue to June 2015* made by the Directlink Joint Venturers.

The application is a revision of the Directlink Joint Venturer's original application submitted to the ACCC on 6 May 2004. While this revised application contains changes compared to the original application, the nature of the application and most of the inputs, assumptions and methodologies underlying it, remain the same. However, we are pleased to resubmit to the Commission a complete application package as the Commission requested on 30 August 2004.

The principal difference between the revised and original application arises from the findings of a new expert report from Burns and Roe Worley ('**BRW**') in Appendix D. BRW has prepared this report because the Directlink Joint Venturers now recognise that they are not in a position to bring forward a detailed technical specification for Directlink's post contingent support and satisfy Powerlink's concerns as expressed in its Final Report¹ on reliability augmentations in the Gold Coast in the time that Powerlink has available.

Over the past two months, BRW has conducted another detailed planning assessment in consultation with TransGrid, Powerlink and Country Energy. While the alternative projects that BRW has now selected for the purposes of the Regulatory Test do not include the type of post-contingent support that BRW described in their original report, BRW has been able to determine with better precision the technical performance, impact on inter-regional transfers, and network deferral benefits that the alternative projects would provide over the next 15 years. BRW has also been able to make corresponding adjustments to the costings of its alternative projects to remove post-contingent support upgrades, to bring its costings of the

¹ Powerlink Queensland, *Final Report, Proposed New Large Network Asset – Gold Coast and Tweed Areas*, 6 July 2004.

Gold Coast augmentations into line with Powerlink's, and to correct an error in relation to the costing of Alternative 2.

In response to the new information from BRW, TransÉnergie US ('**TEUS**') has revised its estimations of the inter-regional benefits of the alternative projects taking into account actual load shapes for the Gold Coast and northern New South Wales that have been provided by Powerlink and Country Energy. TEUS has prepared a supplementary report, which is contained in Appendix G of the application along with TEUS's original report.

The revised application contains updated financial market information for the purposes of calculating the Directlink Joint Venturers' regulatory WACC and presents the revenue path cash flows on a financial year basis. Dollar figures in the revised application are given in July 2005 dollars.

Given the substantial similarity between our original and revised applications, the Directlink Joint Venturers believe that the reviews that the Commission staff and your consultants conducted and the stakeholder consultation that the Commission undertook in May and June of this year in relation to our original application provide a significant head-start for the Commission's consideration of our revised application. Having said this, we understand the Commission's desire for its consideration of the revised application to be thorough and we are willing to assist the Commission to achieve this.

We look forward to working closely with the Commission and its staff over the coming months and offer our cooperation in any way that will assist the Commission to understand and consider the Application.

The Directlink Joint Venturers remain happy to meet with you, 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 for information or to make any arrangements on 0416 229 616.

Yours sincerely

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

Dennis Stanley
Directlink Joint Venture Manager

Encl.