

Mr Sebastian Roberts
General Manager
Regulatory Affairs – Electricity
Australian Competition and Consumer Commission
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Dear Mr Roberts

TransGrid Submission – Directlink Joint Ventures (DJV) Revised Application for Conversion to a Prescribed Service

TransGrid appreciates the opportunity to respond to the above matter. We have also welcomed the opportunity to meet with Commission staff to clarify our position. TransGrid's views and comments on this matter are summarised as follows.

- TransGrid has held discussions with Burns and Roe Worley (BRW) (DJV's technical consultants) and assisted in defining inputs into some BRW network studies, but TransGrid has not had an opportunity to replicate these studies, and is not in a position to confirm or reject the results and recommendations formed by BRW. Furthermore, TransGrid understands that BRW have taken on board TransGrid's comments on the inputs used to undertake their supporting studies.
- The costs of the Dumaresq to Lismore transmission line project quoted in Powerlink studies are planning estimates that are subject to further development in light of detailed environmental approval and route selection outcomes.
- The studies by the DJV (that support conclusions in the 'report' regarding the deferral of the Dumaresq to Lismore line by 11 years) have not been reviewed by TransGrid and the results cannot therefore be confirmed. TransGrid has no basis at this stage for concluding that the results are either valid or invalid.
- TransGrid, along with other parties, has previously raised the issue of whether Directlink will be regarded as meeting the Code definition of 'transmission'. The applicants have indicated their views, however, the Commission has not yet stated its position. This is an important issue as Directlink is connected at each end to Country Energy distribution networks. On this basis the conversion proposal could be considered by the NSW jurisdictional regulator under Code Clause 2.5.2(c). The classification of the assets is also important in price setting and the allocation of network revenue to customers.

If both Directlink and the linking Country Energy assets are to be considered by the ACCC as transmission, then the relevant distribution assets will need to be re-classified as transmission. TransGrid is not aware of any application as yet for re-classification of these assets. This re-classification of assets would need to occur no later than the time for conversion of Directlink, or the Directlink assets may not meet the Code definition for transmission. TransGrid, in its role as Coordinating Network Service Provider for NSW will then need to incorporate the relevant revenue amounts in setting transmission prices. TransGrid believes that interim arrangements may be necessary for price setting for the first year, depending on the timing of the Commission's decisions, in order to meet TransGrid's Code obligations.

- In planning the NSW transmission grid, TransGrid has assumed a level of availability of Directlink capacity that is comparable to other transmission lines. Similarly, the level of service that is being offered by this project, in return for a regulated revenue stream should be equivalent to those of other TNSPs that come under the ACCC's Service Standard performance incentive scheme.
- TransGrid considers that Directlink should be fully utilised to defer major capital expenditures regardless of its regulated status.

Should you wish to discuss any of the matters raised in this submission, please feel free to contact either Mr Philip Gall (TransGrid's Manager/Regulatory Affairs) on (02) 9284 3434 or myself on (02) 9284 3217.

Yours faithfully

[Original Signed]

Mal Park
A/General Manager - Corporate Development