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# Directlink

## Stakeholder Co-creation Workshop

31 August 2023

The bottom half of the slide features several large, white, abstract geometric shapes on a red background. These shapes include a trapezoid on the left, a vertical rectangle in the center, and a large parallelogram on the right, all arranged in a way that suggests movement and progress.

*I'd like to begin by acknowledging the Traditional Owners of the land on which we all meet from today and pay my respects to Elders past, present and emerging.*

# Introductions

# Welcome and purpose

*Objective: To set the scene for the meeting.*

# Agenda for today's meeting

Activity	Lead	Time
<b>Welcome</b>	Ross Gersbach, Group Executive Strategy and Corporate Development APA Group	3:00pm – 3:05PM
<b>Introductions and purpose</b>	Sarah Lau, Facilitator SEC Newgate	3:05pm – 3:10pm
<b>Overview of Directlink and APA's plans for the asset</b>	Mark Allen, Regulatory Manager, Economic Regulation and Policy APA Group	3:10pm – 3:30pm
<b>Overview of engagement</b>	Natalie Lindsay, Senior Stakeholder Engagement Manager APA Group	3:30pm – 3:40pm
<b>Identification of core issues and priorities</b>	Sarah Lau, Facilitator SEC Newgate	3:40pm – 4:00pm
<b>Engagement mapping</b>	Sarah Lau, Facilitator SEC Newgate	4:00pm – 4:20pm
<b>Evaluation and feedback loops</b>	Sarah Lau, Facilitator SEC Newgate	4:20pm – 4:25pm
<b>Wrap up and thanks</b>	Mark Allen, Regulatory Manager, Economic Regulation and Policy APA Group	4:25pm – 4:30pm

# Overview of Directlink and APA's plans for the asset

*Objective: To ensure stakeholders have a common understanding of the Directlink asset and APA's plans to submit its regulatory proposal.*

# Overview of Directlink

- Directlink is a 59 km, 180 MW High Voltage Direct Current (HVDC) interconnector in regional Northeast NSW running between Mullumbimby and Bungalora in NSW.
- It connects at both ends to high voltage components of the Essential Energy network and is dispatched by AEMO, lowering costs for customers. Directlink:
  - **Supports the transfer of electricity between NSW and Queensland** and the main NSW/Queensland interconnector QNI
  - **Helps to meet the electricity needs of the growing population centre south of the Gold Coast**
- Directlink commenced operation in 2002, originally as a Market Network Service Provider (MNSP), which attempted to earn profit based on price differentials between NSW and Queensland.
- Directlink was converted to a Transmission Network Service Provider (TNSP) in 2006, becoming economically regulated by the AER.
- Directlink is the smallest regulated asset in the National Electricity Market, comprising around 0.05% of NSW customers' total electricity bills.



**Directlink transfers electricity between Queensland and New South Wales by connecting to the Essential Energy network at Mullumbimby (near Tweed Heads) which is connected into the Powerlink network at Mudgeeraba, QLD.**

# Issues for Directlink's 2025 to 2030 regulatory period

## Difficult operating environment

- Directlink's cable operates in an area of high rainfall and steep terrain.
- Easements run along the Pacific Highway, the Casino to Tumbulgum rail trail, and through private land.
- All of these factors can make accessing the cable difficult.

## Reliability and maintenance concerns

- Directlink's (at the time) leading edge technology has led to design flaws and poor reliability.
- There has been a long-term focus to improve reliability while delivering value to customers.
- There is potential for limited availability to undertake repair and maintenance as AEMO can require maximum availability during key periods from Directlink.

## Limited number of assets

- Directlink is a point-to-point transmission line.
- It has relatively few different assets, which makes capital expenditure lumpy.
- The current and previous regulatory periods have involved large projects, no large projects are currently anticipated for the 2025 to 2030 regulatory period.

## No scope for demand management

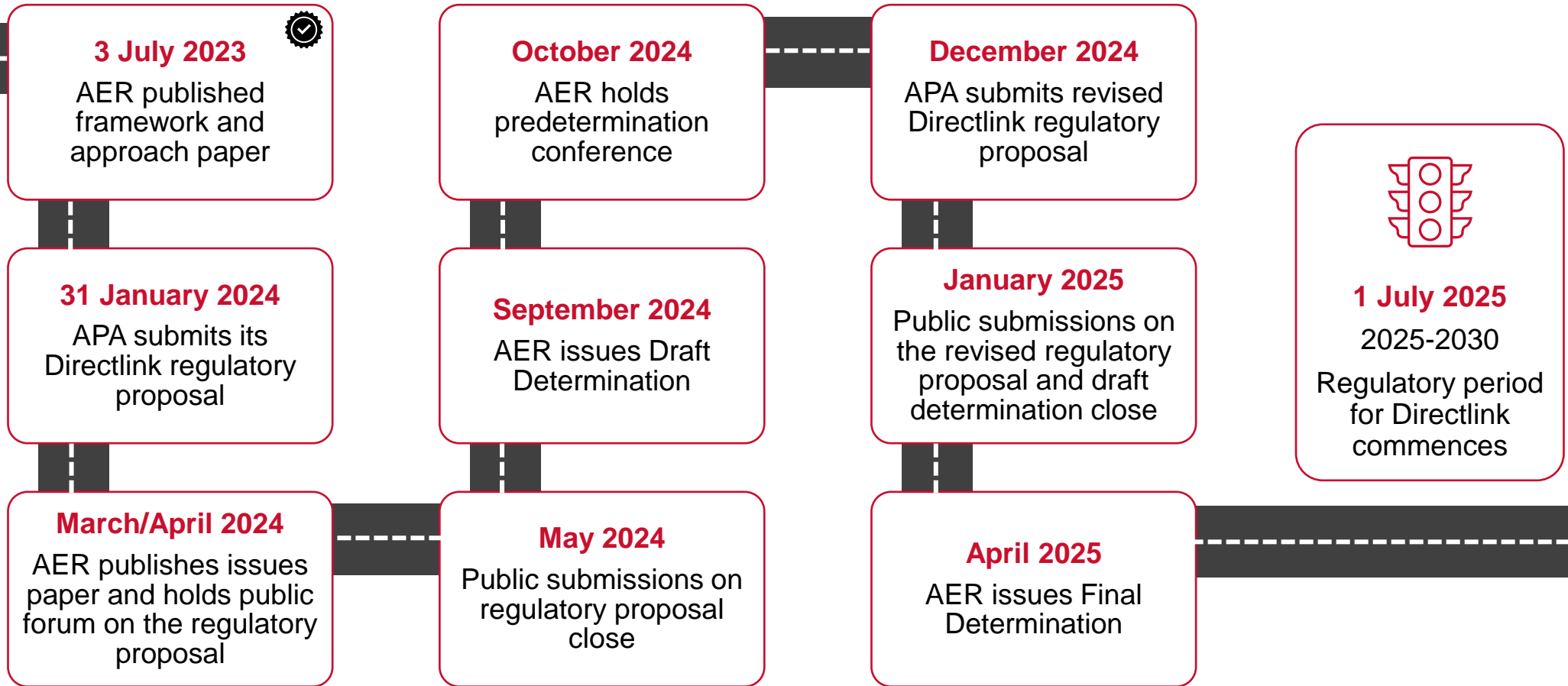
- Directlink has no directly connected generators or demand centres.
- As a result, it has no scope for demand management.

## Upcoming end of life

- Directlink will reach the end of its life and be fully depreciated in 2041/2042.
- As a result, planning for the end of its life will need to be considered as part of decisions for the 2025 to 2030 regulatory period.
- Potential costs of de-commissioning and make good will need to be considered



# Timeline for Directlink regulatory reset – 2025 to 2030



# Overview of engagement

*Objective: To reach a common understanding of the elements that will underpin APA's engagement program.*

# Core engagement objectives

The AER aims to encourage energy network businesses to “better engage and have consumer preferences drive the development of regulatory proposals” and assesses proposals against three core engagement expectations:

- **Nature of engagement** – How networks engage with consumers, with the expectation networks will genuinely partner with consumers and equip them to effectively engage in the development of their regulatory proposals.
- **Breadth and depth of engagement** – Engagement should be deep, covering the outcomes consumers want to see, how they would like to be engaged with, and the inputs to the regulatory proposal. Engagement should also have breadth and cover multiple ways of engagement.
- **Clearly evidenced impact of this engagement**- Networks need to clearly show how consumer views have been considered and reflected in their regulatory proposals.

APA’s engagement objectives are to deliver a regulatory proposal that:

- **‘Brings the outside in’** by directly responding to the needs and preferences of our customers and other key stakeholders.
- **Provides sustainable returns** for shareholders and investors.
- **Delivers a reliable supply of electricity** between New South Wales and Queensland.
- **Supports the energy transition** in New South Wales and Queensland.

# Proposed functions of the stakeholder group

Some of the proposed functions of the stakeholder group include, but are not limited to:

- Provide **independent feedback and challenge** APA on the degree to which its Regulatory Proposal addresses the needs and preferences of customers.
- **Co-design the engagement program**, including scope, timing, themes and engagement activities.
- **Input into the development of the Regulatory Proposal** and challenge key components including operating expenditure and capital expenditure.
- Assist in **improving APA's understanding of the needs and expectations of different customer segments**, including vulnerable groups.
- Provide **advice on engagement materials** to ensure they are fit for purpose.

# Identification of core issues and priorities

*Objective: To identify the issues, priorities, customers and stakeholders that will be targeted through the engagement program.*

## Priority customer and stakeholder segments

- Local Councils
- State Governments
- Regulators and market bodies
- Networks
- Retailers
- Generators
- Customers, including business customers
- Communities
- First Nations and CALD people
- Business partners
- Shareholders and investors
- Peak bodies
- Consumer advocates
- Suppliers
- Environmental groups



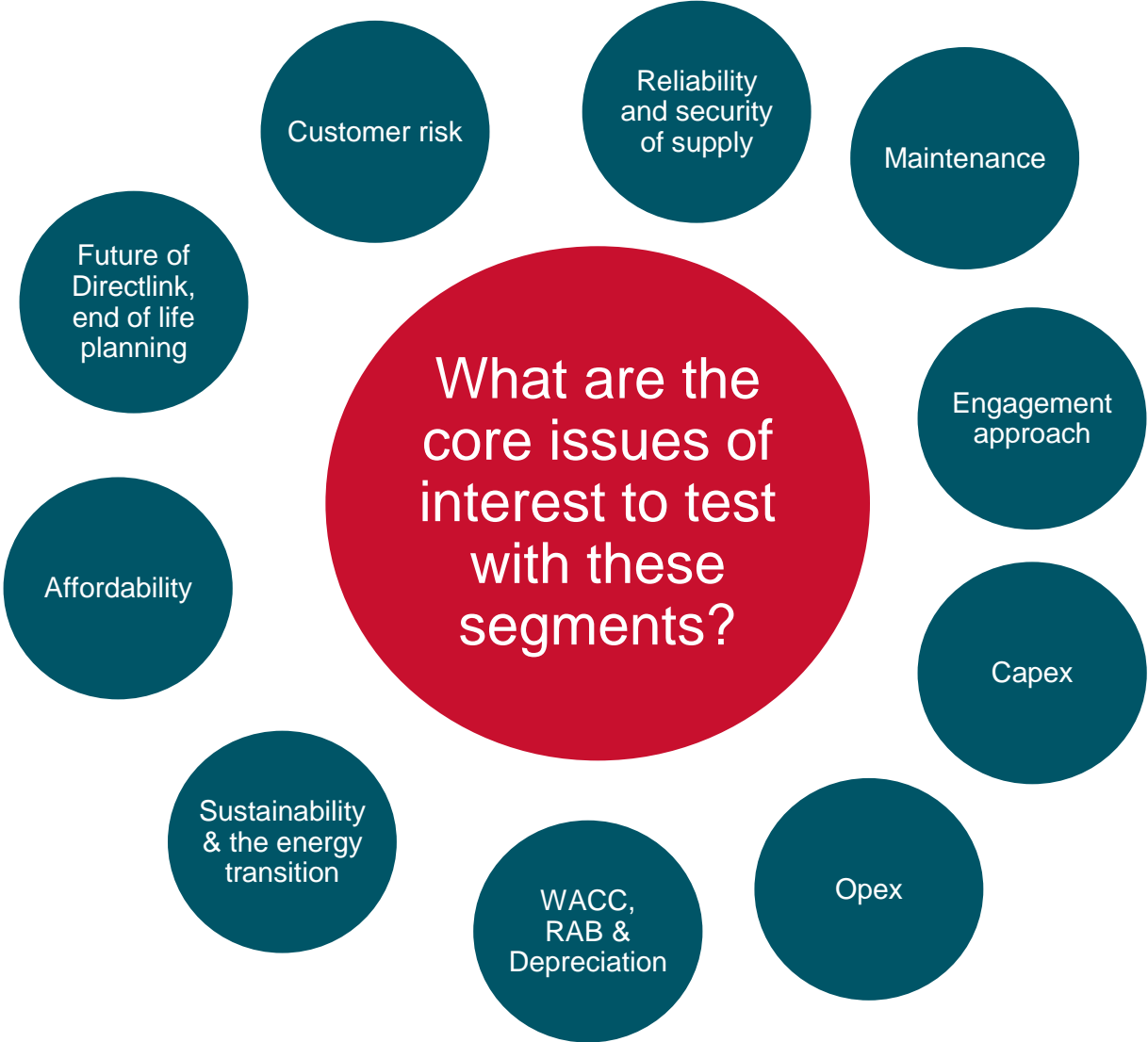
# IAP2 spectrum

Increasing impact on the decision 

	Inform	Consult	Involve	Collaborate	Empower
Public participation goal	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/ or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
Promise to the public	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

IAP2 Spectrum of Public Participation, Source: <https://iap2.org.au/resources/spectrum/>

# Core issues for stakeholders





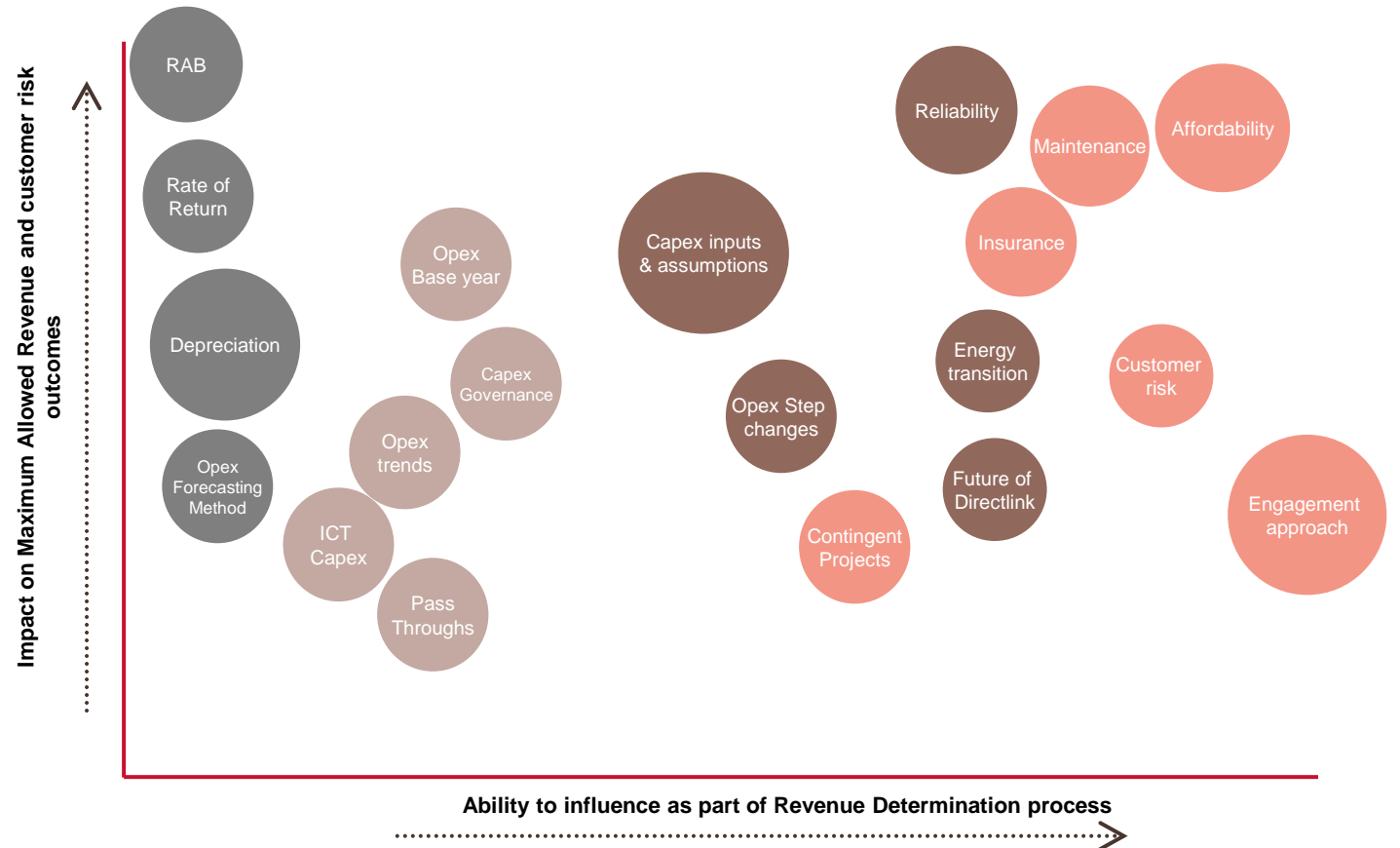
# Engagement mapping

*Objective: To create a well defined engagement plan that links issues and stakeholder engagement*

# Issues mapping

Level of IAP2 Spectrum	
	Description
<b>Empower</b>	<i>To place final decision-making in the hands of customers and stakeholders</i>
<b>Collaborate</b>	<i>To work together with our customers and stakeholders to formulate alternatives and incorporate their advice into final decisions to maximum possible extent</i>
<b>Involve</b>	<i>To work directly with customers and stakeholders to ensure their concerns and aspirations are directly reflected in the alternatives developed</i>
<b>Consult</b>	<i>To obtain feedback on alternatives and draft proposals</i>
<b>Inform</b>	<i>To provide balanced information to keep customers and stakeholders informed</i>

## Strawman issues and engagement mapping



# Proposed timeline for stakeholder engagement

Date	Engagement event	Event topics
31 August 2023	<b>Stakeholder Co-creation workshop</b>	<ul style="list-style-type: none"> <li>- Overview of Directlink</li> <li>- Overview of engagement</li> <li>- Identifying core issues and priorities</li> <li>- Mapping stakeholders and issues</li> </ul>
11 September 2023 11am -12pm	<b>Stakeholder Group Meeting #1</b>	<ul style="list-style-type: none"> <li>- Future of Directlink, including role in energy transition, potential capital expenditure projects, and end of life planning</li> </ul>
11 October 2023 1:30pm – 3pm	<b>Stakeholder Group Meeting #2</b>	<ul style="list-style-type: none"> <li>- Forecast capital expenditure for 2025 to 2030, including reliability, affordability trade-offs and critical equipment review</li> </ul>

# Proposed timeline for stakeholder engagement

Date	Engagement event	Event topics
8 November 2023 10am – 11:30am	<b>Stakeholder Group Meeting #3</b>	<ul style="list-style-type: none"> <li>- Forecast operating expenditure for 2025 to 2030, including discussion around rail trail access options</li> <li>- Forecast Regulatory Asset Base, depreciation, rate of return and cost pass throughs</li> <li>- Pricing methodology</li> </ul>
4 December 2023 1:30pm – 3pm	<b>Stakeholder Group Meeting #4</b>	<ul style="list-style-type: none"> <li>- Overview of regulatory proposal, including forecast revenue annual revenue and bill impacts for customers</li> </ul>
December 2023	<b>Development of Engagement Summary Report</b>	<ul style="list-style-type: none"> <li>- Detail all stakeholder engagement</li> <li>- Highlight core takeaways</li> <li>- Describe how engagement influenced outcomes of the Directlink Regulatory Proposal</li> <li>- Set out how engagement is aligned to the expectations in the AER's Better Resets Handbook</li> </ul>
Early January 2024	<b>Stakeholder Group reviews Directlink Regulatory Proposal</b>	<ul style="list-style-type: none"> <li>- Draft of Directlink Regulatory Proposal</li> </ul>
Early January 2024	<b>AER briefing on Directlink Regulatory Proposal</b>	<ul style="list-style-type: none"> <li>- Draft of Directlink Regulatory Proposal</li> </ul>
31 January 2024	<b>APA submits Directlink Regulatory Proposal to the AER</b>	<ul style="list-style-type: none"> <li>- APA's final Directlink Regulatory Proposal</li> </ul>

# Evaluation and feedback loops

*Objective: To identify how APA can best undertake ongoing evaluation and respond to stakeholder feedback.*

## How will we measure our efforts?

- Evaluation is a critical aspect in the AER's assessment of the quality of engagement.
- Evaluation also provides APA with an opportunity to be responsive to feedback and adjust the engagement approach accordingly.
- For all stakeholder group meetings, we propose to have all participants rate us against a **set of core KPIs through an online survey**.
- This will help to measure whether our engagement reflects the intent of our overarching engagement objectives.

### AER Engagement Assessment Framework

Nature of engagement
Breadth and depth
Clearly evidenced impact
Proof points for engagement



# How will feedback be used?

- The stakeholder group is requested to:
  - **Complete evaluation surveys** following each meeting
  - **Provide advice and feedback** at stakeholder group meetings and as needed as the Regulatory Proposal is developed.
- APA will use stakeholder feedback to:
  - Ensure the Regulatory Proposal **addresses the needs and preferences of customers**
  - **Plan and shape stakeholder engagement** meetings and topics.
  - **Shape future business planning** for Directlink as it reaches the end of its life.



# Wrap up and next steps

*Objective: To thank participants and explain next steps.*



## Next steps

- **Stakeholder group to:**
  - Advise on interest and availability in participating in future meetings
  - Advise on areas of interest for the next meeting on the future of Directlink on Monday 11 September, 11am – 12pm
- **APA to:**
  - Confirm agenda for the next meeting
  - Send out meeting papers for the next meeting by Monday 4 September



# Questions?

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Thank you

