

28 January 2025

Mr Mark Feather
General Manager Policy
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Lodged via email: AERringfencing@aer.gov.au

Dear Mr Feather,

Re: APA Submission to Draft - Transmission Guideline negotiated services updates

Thank you for the opportunity to comment on the Draft Electricity Transmission Ring-fencing Guideline (Draft Guideline) and Explanatory Statement (Draft Explanatory Statement), published on 9 December 2024.

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 692 MW of renewable generation and battery storage infrastructure.

APA is the operator of two fully regulated interconnectors in the National Electricity Market (NEM): Directlink and Murraylink. As registered Transmission Network Service Providers (TNSPs), Directlink and Murraylink are subject to ring-fencing obligations under the Electricity Transmission Ring Fencing Guidelines (the Guideline).

As advised in our submission to the AER's October 2024 Issues Paper, APA supports enhancements to the electricity transmission ring fencing framework that are fit for purpose and do not place an undue regulatory burden on TNSPs.

In contrast to the distribution network service provider industry in the NEM, which is characterised by a relatively homogenous group of businesses, the TNSP industry is very different.

The five TNSPs (Powerlink, Transgrid, AusNet, ElectraNet, and TasNetworks) that are responsible for managing the transmission network in each of the NEM's jurisdictions are medium to large businesses, with an average annual opex of over \$100m. The two other registered TNSPs, Directlink and Murraylink, however, have a much smaller operating budget (around \$4 - \$5m per annum).

Directlink and Murraylink are both interconnectors and have characteristics that make them very different to the jurisdictional TNSPs:

- **Size:** They are much smaller assets than the jurisdictional TNSPs: the Directlink interconnector is 63km long and Murraylink is 180km. In contrast, Powerlink has 14,547km of transmission assets, Transgrid 13,077km, AusNet 6,628km, ElectraNet 6,042km, and TasNetworks 3,353km.¹
- **HVDC:** Both interconnectors use High Voltage Direct Current (HVDC) to transmit energy, in contrast to the more common alternating current (AC) systems. Both Directlink and Murraylink are unlikely to have generation assets connected to them.
- **Reference nodes:** Neither Directlink or Murraylink are connected to the local reference node for the purposes of the NEM dispatch engine.
- **Control:** AEMO directly controls the operation of Directlink and Murraylink, including how much of, and how often, capacity is dispatched.

To ensure that any amendments to the Guideline do not impose unnecessary costs on industry, these market characteristics should be taken into account.

¹ Ref: Tab 12 of the [AER - Operational performance data 2024 - Electricity Transmission Networks](#)

We acknowledge that the AER has considered the feedback provided during the Issues Paper consultation process and provide the following views on the Draft Guideline and Draft Explanatory Statement:

- 1. Extending the current obligation in respect of staff separation** – the Draft Explanatory Statement confirms that the AER is not proposing any changes to staff separation requirements.²
APA response: APA supports this approach.
- 2. Introducing restrictions on cross-branding and promotions** – the Draft Explanatory Statement confirms that the AER is not proposing to extend restrictions on cross-branding and promotions.³
APA response: APA supports this approach.
- 3. Removal of the maximum period limitation for granting a waiver** – the Draft Guideline proposes removing the limitation on waiver duration.⁴
APA response: APA supports this approach.
- 4. Requiring additional reporting on delivery of services** – the Draft Guideline proposes the inclusion of additional, public reporting by TNSPs on several aspects of negotiated transmission service delivery.⁵
APA response: additional reporting requirements increase costs, which are ultimately born by customers. For smaller TNSPs, the additional reporting proposed is unlikely to create any benefits.
- 5. Sign-offs for Annual Compliance Reports** – the Draft Guideline includes a requirement that annual ring-fencing compliance reports must be submitted to the AER with an accompanying cover letter, signed by the most senior executive of a TNSP.⁶
APA response: As Murraylink and Directlink do not employ any staff, it will not be possible for these TNSPs to comply with the proposed requirement. We suggest consideration be given to the inclusion of a clause in the Guideline which provides the AER with flexibility to grant alternative sign off arrangements. This approach has been used by the Essential Services Commission of South Australia (State Economic Regulator).⁷

Proposed wording:

Alternative Options for sign off of Annual Compliance Reports

The AER will consider other reasonable options proposed by a TNSP for the signing off an Annual Compliance Report, provided that such options must be submitted in writing for the AER's approval not less than 1 month prior to the end of the relevant regulatory year.

Thank you for considering APA's submission. If you wish to discuss our submission in further detail, please contact Julie Dixon on [REDACTED] or [REDACTED]

Yours sincerely,

[REDACTED]

John Skinner
Senior Manager Policy
Strategy and Corporate Development

² Ref: point 4, page 4 of the Draft Explanatory Statement

³ Ref: point 5, page 4 of the Draft Explanatory Statement.

⁴ Ref: section 5.3.4, page 14 of the Draft Ring-fencing guideline (electricity transmission) Version 5.

⁵ Ref: section 6.2.1, page 17 of the Draft Ring-fencing guideline (electricity transmission) Version 5.

⁶ Ref: section 6.2.1(e), page 18 of the Draft Ring-fencing guideline (electricity transmission) Version 5.

⁷ Refer to section 3.8 of ESCOSA's Energy Compliance Guideline No. 4 - [20220727-Energy-ComplianceSystemsReporting-GuidelineNo4.pdf.aspx](#)