

2 July 2021



RIT-T Directlink
APA Group

Submitted electronically to rittdirectlink@apa.com.au

Dear APA,

Directlink RIT-T Project Specification Consultation Report

The Public Interest Advocacy Centre (PIAC) is a leading social justice law and policy centre. We are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Regulatory Investment Test for Transmission (RIT-T) Project Specification Consultation Report (PSCR) for the Directlink interconnector.

The PSCR proposes a solution to ensure the Directlink interconnector can continue to operate at its current full capacity as transistors (IGBT) currently essential to its operation become unavailable. We note this is considered a 'reliability corrective action' under the RIT-T as the proposed investment is for the purpose of meeting externally-imposed regulatory obligations and service standards.

PIAC understands the imperative to manage the risk of IGBT failure but highlights concerns with the long-term risk and overall cost of the proposed options.

PIAC does not consider sufficient information has been provided to determine whether the preferred option is the most cost-effective and prudent means of addressing the identified need. The preferred option – to enter into a long-term service contract with Hitachi ABB Power Grids (the manufacturer of IGBTs) with a guaranteed yearly payment regardless of the rate of replacement of assets – has risks for consumers.

We note all the options put forward rely on ongoing contracts with Hitachi, a monopoly provider of the IGBTs needed for Directlink to function. PIAC considers APA should provide more detail on each option's long term risk for consumers, including the likelihood of the rate that further replacement of transistors will be required. The long-term risk of relying on a monopoly provider of essential components will also be important for highlighting the value of non-network and other alternative options.

PIAC is concerned about the overall cost impact of managing IGBT failure. We are interested to know whether this cost was foreseen at the time Directlink became a regulated network service. If it was not foreseen, PIAC challenges

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whether consumers should be carrying the cost. If it was foreseen, PIAC considers documentation of this, and evidence of what was budgeted for managing the risk previously, should be provided to stakeholders ahead of further stages of the RIT-T process.

We welcome the opportunity to discuss these matters further with APA.

Yours sincerely

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