



Murraylink Electricity Transmission Interconnector

Stakeholder Engagement

The purpose of the workshop is to co-design a stakeholder strategy for Murraylink Electricity Transmission Interconnector.

The aim is to have:

- Topics for future engagement; and
- Methods of future engagement.

Murraylink – Purpose of workshop

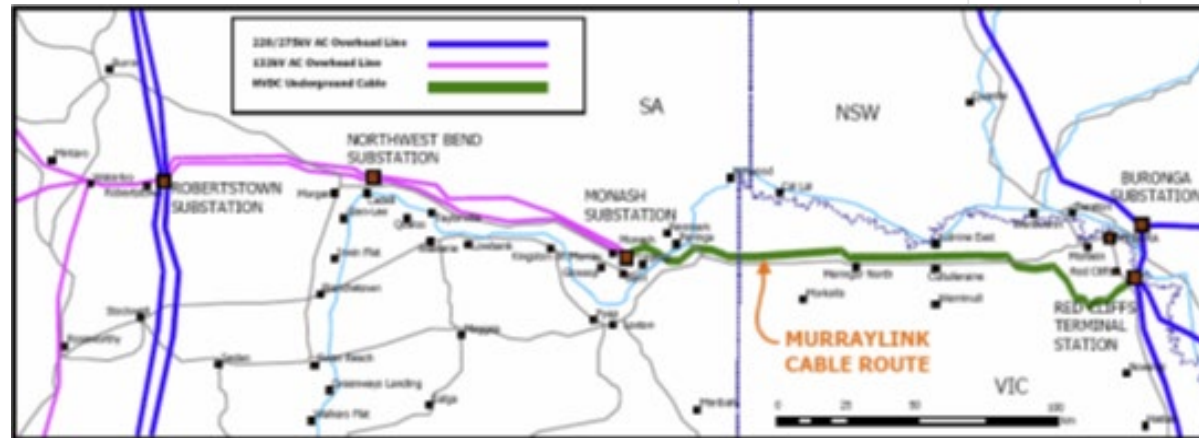
We want to understand our stakeholders' priorities and reflect these in our Transmission Determination Proposal.

Stakeholder engagement

Background

Murraylink – the facts

- High Voltage Direct Current Electricity Transmission line. There are three of these type of networks in the NEM – Murraylink, Directlink (NSW-Qld) and Basslink (Tas-Vic).
- Murraylink has 220 MW capacity. Heywood (the other SA-Vic interconnector) has 650MW.
- Single 180 km cable with a converter station at Red Cliffs (Vic) and Berri (SA). The cable runs underground. Enables it to travel through environmentally sensitive areas in a way a HVAC interconnector couldn't.
- A “pure” interconnector of two high voltage transmission networks ElectraNet and AusNet - no customers are directly connected to Murraylink
- Its primary role in the National Electricity Market is simple - it enables the transfer cheaper electricity between South Australia and Victoria.
- AEMO dispatches Murraylink at its discretion within the physical constraints imposed by the AusNet and ElectraNet networks.



Murraylink is not like other Transmission Networks in the NEM.

Regulatory Background

- Murraylink is a former Market Network Service Provider.
- When regulated the asset value was based on non HVDC transmission line - lower than construction cost.
- Current value of Regulated Asset Base \approx \$120m
 - For comparison ElectraNet \approx \$1860m
- Current Maximum Allowed Revenue \approx \$16m
 - For comparison ElectraNet \approx \$300m
- Revenue is collected from AusNet and ElectraNet. It is split between the two based on asset value in the two jurisdictions.

Murraylink is a small network but we seek to be world class

Murraylink current revenue and forward expectations

Biggest unknown in terms of costs is the future regulatory obligations (Eg Security of Critical Infrastructure)

Table 2.1 AER's final decision on Murraylink's revenues for the 2018–23 period (\$million, nominal)

	2018–19	2019–20	2020–21	2021–22	2022–23	Total
Return on capital	6.4	6.5	7.0	7.4	7.3	34.6
Regulatory depreciation ^a	3.4	3.6	3.6	3.7	5.8	20.2
Operating expenditure ^b	4.5	4.6	4.8	4.8	5.1	23.8
Revenue adjustments ^c	-0.2	-0.2	0.5	0.0	0.1	0.2
Net tax allowance	0.4	0.4	0.5	0.5	0.6	2.5
Annual building block revenue requirement (unsmoothed)	14.6	14.9	16.4	16.5	19.0	81.4
Annual expected MAR (smoothed)	14.3	15.2	16.2	17.3	18.5	81.4 ^d
X factor ^e	n/a ^f	-3.86%	-3.86%	-4.40%	-4.40%	n/a

Source: AER analysis.

Expectations is for a reduction in the building block revenue.

- Return on capital is expected to fall. This is driven by:
 - AER's rate of return instrument
 - Financial market outcomes
- Opex will be similar to current period (subject to no additional obligations)
- Forecast regulatory depreciation may be similar to FY 2019 to FY2022 in table above
- Tax allowance doesn't change much between determinations
- Incentive scheme outcomes will be determined as current period progresses.

Stakeholder engagement

Scope

Stakeholder engagement scope

Murraylink's objective in stakeholder engagement is to

“understand our stakeholders priorities and reflect these in our Transmission Determination Proposal.”

What matters to you and how would you like to engage with us on that?

- What do you want us to let you know?
- What do you want us to know?

Potential Topics (suggestions to start the conversation)

- Revenue split between SA and Victoria
- Forecast Capital expenditure
 - prioritisation and timing
 - Project identification (how we do it)
 - Your suggestions?

An orange speech bubble graphic with a tail pointing downwards. The text 'Stakeholder engagement method' is written in white, sans-serif font inside the bubble. The background of the slide features decorative curved lines in shades of grey and orange.

Stakeholder engagement method

- How do you want to engage with us
- How do you want us to engage with you

Methods (a conversation starter)

- Workshops
- Website
- One on Ones
- Surveys

Stakeholder Engagement - context

Restrictions

- Happy to discuss anything but Murraylink is limited to outcomes permitted by the National Electricity Law and Rules.
- Stakeholder engagement costs need to be recovered. In order to do that we need to demonstrate they are consistent with the expenditure requirements of the National Electricity Rules.
- Murraylink has to meet all legal obligations imposed on it by contract, State or Commonwealth legislation.

If you were unable to attend the workshop on stakeholder engagement or have more thoughts to add please feel free to contact:

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