

Victoria to New South Wales Interconnector Upgrade Consultation
AEMO and TransGrid

Submitted by email to Planning@aemo.com.au

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Victoria to New South Wales Interconnector Upgrade Project Specification Consultation Report

The Australian Energy Council (the AEC) welcomes the opportunity to make a submission to the *Victoria to New South Wales Interconnector Upgrade Regulatory Investment Test for Transmission Project Specification Consultation Report* (Vic-NSW PSCR).

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The role of the PSCR

The AEC considers the PSCR plays an important role in describing the background conditions needed to consider a major regulated network investment before undertaking a detailed Regulatory Investment Test for Transmission (RIT-T), a role also obliged by National Electricity Rule 5.16.4. This stage is important for:

- Giving customers confidence in the process;
- Providing notice to non-network providers about upcoming opportunities to participate in the more detailed stages; and
- Providing transparency and confidence for competitive market participants about the direction of regulated network development in order to prepare for the impacts upon their own investments.

PSCRs are expected to provide reasonable detail and explanation of both the need and potential options, consistent with the significance of the project. A good example is the Australian Energy Market Operator's Western Victoria Renewable Integration PSCR,¹ which discussed many aspects of its upcoming RIT-T over 35 pages, including diagrams of the affected networks, tabular discussions of the implications of the different network options, and graphs summarising some of the key data assumptions to be used in the RIT-T.

In contrast, the 12 page Vic-NSW PSCR contains very little of such detail, and in the AEC's view risks not substantively meeting the obligations of Rule 5.16.4.

The Role of the Integrated System Plan

The AEC recognises that the COAG Energy Council has endorsed the Energy Security Board's (ESB's) approach to action Integrated System Plan (ISP) Group 1 projects,² which includes a "Minor Vic to NSW

¹ Australia Energy Market Operator, *Western Victoria Renewable Integration Project Specification Consultation Report*, April 2017

² COAG Energy Council, *Meeting Communiqué*, 19th December 2018

upgrade” of approximately 170MW.³ It is also noted that the ESB is proposing the PSCR stage for projects be subsumed within the ISP,⁴ and this proposal has been furthered by the Australian Energy Market Commission in its Coordination of Generation and Transmission Investment Final Report.⁵ This is possible because future ISPs will be enhanced to include many of the existing requirements for transparency and consultation that are presently expected to be carried out within the PSCR.

In light of this policy direction, the AEC understands the proponents have largely relied upon repeating the 2018 ISP’s recommendation of a Group 1 project to meet the substantive requirements of the Vic-NSW PSCR rather than identifying needs as would usually occur in a PSCR. Whilst the AEC is uncertain as to the legal standing of such an approach prior to any rule changes, it agrees such an approach is not inconsistent with the intended future regime.

However, the future regime’s avoidance of the PSCR stage is only to apply for those projects recommended by the ISP for immediate assessment, such as the 2018 ISP Group 1 projects. In that regard, trusting the statement that “Option 1 is consistent with the scope of augmentation recommended by the ISP”⁶, the AEC accepts that the future regime would allow the PSCR stage to be avoided for Option 1.

Options 2 and 3

The Vic-NSW PSCR’s Options 2 and 3 were however not recommended as Group 1 projects in the ISP. They represent very major investments over longer time frames and imply potential capital costs of up to the order of \$1 billion, roughly ten times that of the relevant Group 1 project mentioned in the ISP.

Although it is recognised that one line segment of Option 2 also emerged as one segment of an ISP Group 2 project, the AEC contends that:

- An ISP project should be contemplated in the manner it was specified in the ISP, and that any material variations from its specification should be seen as different projects, even if some assets overlap; and
- The COAG Energy Council support for immediate action applies to Group 1 projects only.

It is recognised that in the proposed new regime, network proponents will still be able to undertake projects that were not recommended in the ISP, however for such projects a PSCR will still be required. As this Vic-NSW PSCR has not substantively identified any needs beyond simply adopting the ISP’s own conclusions, the AEC considers it inadequate with respect to Options 2 and 3. This inadequacy exists within both the existing and proposed future RIT-T regimes.

Any questions about our submission should be addressed to me by email to ben.skinner@energycouncil.com.au by telephone on (03) 9205 3116.

Yours sincerely,



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³ Australian Energy Market Operator, *Integrated System Plan for the National Electricity Market*, July 2018, Table 9, p.83

⁴ Energy Security Board, *Integrated System Plan; Action Plan*, 2018, Recommendation 10, p.5

⁵ Australian Energy Market Commission, *Coordination of Generation and Transmission Investment Final Report*, 21st December 2018, Recommendation 2, p.36

⁶ Vic-NSW PSCR page 9