



EnergyAustralia

LIGHT THE WAY

21 March 2019

Mr John Pierce
Mr Charles Popple
Ms Michelle Shepherd
Dr Brian Spalding
Ms Allision Warburton
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Lodged electronically: www.aemc.gov.au (ERC0258)

Dear Commissioners,

AEMC 2019, Early implementation of ISP priority projects, consultation paper

We welcome the opportunity to comment on the AEMC's consultation paper on the early implementation of Integrated System Plan (ISP) priority projects.

EnergyAustralia is one of Australia's largest energy companies with around 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, solar and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

The initial consultation paper¹ proposes changes to the National Electricity Rules (NER) to enable a number of Australian Energy Regulator (AER) processes in the Regulatory Investment Test for Transmission (RIT-T) to run concurrently, instead of sequentially². This change is intended to apply to 2018 ISP projects identified as minor 'group 1' projects. These projects are increasing the transfer capacity of:

- 170MW from Victoria to New South Wales (VNI) (Northwards); and
- 190MW from Queensland to New South Wales (QNI) (Southwards); and
- 460MW from New South Wales to Queensland (QNI) (Northwards).

It is our understanding that no other changes to the regulatory process are proposed and the aim of this rule change is simply to allow simultaneous review where appropriate of these minor projects. On this basis alone EnergyAustralia does not have issues with the proposal, provided this does not impact the ability of the AER to comprehensively review and analyse the preferred option, or limit the ability for stakeholders to utilise the dispute process.

¹ <https://www.aemc.gov.au/sites/default/files/2019-03/Consultation%20paper%20%E2%80%93%20Early%20implementation%20of%20ISP%20priority%20projects.PDF>

²period for notification of disputes in relation to the Regulatory Investment Test for Transmission (RIT-T) under NER clause 5.16.5,

AER's analysis of the preferred option for the investment identified in the RIT-T under NER clause 5.16.6, and assessment of the revenue allowance for the identified projects as contingent projects under NER rule 6A.8.

The intent of the first rule change is that the changes to the AER processes would apply only to the proposed 'group 1' projects above. We understand that these changes would in fact also apply to any of the further credible options currently being considered in both the RIT-T processes. For example, AEMO (as the TNSP for Victoria) in the VNI RIT-T project specification consultation report (PSCR) is also proposing a number of far more significant upgrades with costs up to \$500m as credible options³. We do not consider these as minor upgrades and do not support the rule change proposal (without clarification) applying to these projects.

The AEMC has indicated that this consultation will also contemplate a further rule change lodged to enable two⁴ of the AER processes to be run concurrently for the South Australia Energy Transformation project⁵ (SAET). In the 2018 ISP the SAET was identified as an 'group 2' project. Recently the proponent (ElectraNet) published their Project Assessment Conclusion Report (PACR)⁶ for the project, recommending that the project go ahead. We do not support the proposed changes for the SAET project.

The rule change proposal (for the SAET) states that with these changes the project would be able to be implemented more quickly, promoting reliability and security in the NEM at a time when there are generator retirements and an increasing proportion of intermittent generation in South Australia⁷. We would strongly dispute this claim. The market benefits presented from the SAET do not include increasing the reliability and security of South Australia. In fact, the market benefits of the project are almost solely reliant on local dispatchable generation being offset by lower priced black coal generation, with these South Australian generators in fact closing in the modelling⁸. This would leave the state even more reliant on interconnection to meet its capacity needs. This seems contradictory to the statement above, as new interconnection is effectively forcing the closure of dispatchable generators in the state, potentially reducing reliability and security. The SAET project is further complicated by interaction with the Retailer Reliability Obligation (RRO) which aims to incentive firm dispatchable capacity into the NEM, this also appears contradictory to the results of the SAET.

While the timely assessment and approval of proposed transmission investments made on the customers behalf is important, changes must not devalue the RIT-T process or lead to potential unintended consequences. That is, they must not act to reduce a transparent and comprehensive consultation on the proponents behalf, or impede the ability to both stakeholders and the AER to review the project assumptions, modelling and results.

TNSP's need to prove, without doubt, that network projects are in the best interests of customers and that the market benefits are robust across a wide range of sensitives and scenarios. EnergyAustralia considers that the SAET results and conclusions fall short of this. Customers bear all risk that promised benefits of additional interconnection do not eventuate.

³ https://www.aemo.com.au/-/media/Files/Electricity/NEM/Planning_and_Forecasting/Victorian_Transmission/2018/Victoria-to-New-South-Wales-Interconnector-Upgrade-RIT-T-PSCR.pdf

⁴ That is 5.16.6 and 6A.8

⁵ <https://www.aemc.gov.au/rule-changes/early-implementation-isp-priority-projects>

⁶ <https://www.electranet.com.au/projects/south-australian-energy-transformation/>

⁷ Page, 3-4, <https://www.aemc.gov.au/sites/default/files/2019-03/Rule%20change%20request%20-%20ISP%20priority%20projects%20%E2%80%93%20SA%20Energy%20Transformation.pdf>

⁸ This capacity is replaced by new interconnection and build of 700MW of pumped storage.

If you would like to discuss this submission, please contact Andrew Godfrey on 03 8628 1630 or Andrew.Godfrey@energyaustralia.com.au.

Regards

Sarah Ogilvie

Industry Regulation Leader