

ABN 70 250 995 390
180 Thomas Street, Sydney
PO Box A1000 Sydney South
NSW 1235 Australia
T (02) 9284 3000
F (02) 9284 3456

Thursday, 4 July 2024

Anna Collyer
Chair
Australian Energy Market Commission
Lodged online: www.aemc.gov.au

Project Ref: ERC0380

Dear Anna,

Bringing early works forward to improve transmission planning

Transgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) Bringing early works forward to improve transmission planning draft determination rule. The AEMC's draft determination is in response to a rule change by the Minister for Climate Change and Energy which seeks to improve cost recovery certainty for transmission network service providers (**TNSP**) and provide an incentive to efficiently undertake more early works, earlier in the economic assessment process.

Transmission is essential to provide energy security and reliability as Australia transitions to a clean-energy future. The Australian Energy Market Operator's 2024 Integrated System Plan sets out a path for the National Electricity Market to achieve a low-carbon electricity grid. The final 2024 ISP¹ includes a rapid change from coal-fired generation to grid-scale wind and solar power by 2050.

Australia's energy transformation will need significant upgrades for renewable energies, more storage, complex network management, and, importantly, the installation of more than 10,000km of new transmission lines is needed by 2050. To do this in a timely and efficient manner, undertaking early works will be essential.

Transgrid strongly supports the draft determination and its objective which is to encourage TNSPs to undertake more and earlier planning activities, to improve cost estimate accuracy and timely delivery of actionable ISP projects.

Transgrid understands the AEMC's draft rule determination would:

- Enable a TNSP to submit an early works contingent project application (**CPA**) without needing to first complete a RIT-T and pass AEMO's feedback loop assessment. This provides TNSPs with earlier cost recovery certainty and an incentive to undertake early works concurrently with the RIT-T.

¹ Source: [2024-integrated-system-plan-isp.pdf \(aemo.com.au\)](https://aemo.com.au/2024-integrated-system-plan-isp.pdf)

- Introduce a definition of early works in the NER to guide the AER's assessment and TNSPs' preparation of an early works CPA and protect consumers against inefficient expenditure.
- Clarify that AEMO can specify, in the ISP, examples of early works (and preparatory activities) for actionable ISP projects.

We broadly support the draft rule and the rule intent. However, we believe there are two clauses in the drafting which we consider to be restrictive. These are outlined below.

Clause 6A.8.2(d)(d1) - Amendment of revenue determination for contingent project

Clause 6A.8.2(d)(d1) sets out two principles that the AER must have regard to when they consider an early works application by TNSPs². These are:

- (1) early works are common to all ISP candidate options and any other options that would be identified in a regulatory investment test for transmission for the actionable ISP project; and*
- (2) outcome of the early works can be sold or utilised to support other projects.*

We strongly believe these two principles will restrict the type of early works that can be performed. The restrictive nature of these principles will not allow TNSPs to make meaningful early works and therefore will defeat the intent of the original rule change and subsequent draft decision. This is because most early works will not meet these two criteria. There are broad examples of which these principles will not be met regardless of the project options. These include:

- Options that include a non-network option – any list of options that would include a non-network option will not be able to meet both principle 1 and principle 2. Early works such as procurement of equipment, construction contracts, obtaining planning and environmental approvals and easement acquisition will most likely not be common to a non-network option.
- Community engagement and obtaining social licence - community engagement is specific to the area the infrastructure will go through. Community engagement may not be common between options and cannot not be sold or utilised.
- Environmental studies - environmental studies that may be undertaken for one site may not be common to another site and therefore would not meet either of the principles as they are not common or cannot be sold or utilised.

Further to the above broad examples, highlighted below are two ISP projects examples that would not meet either of the proposed principles, but which still require early works to take place.

Sydney Southern Ring

The 2024 final ISP identified the Sydney Southern Ring project as an actionable ISP project. The project is

² Draft National Electricity Amendment (Bringing early works forward to improve transmission planning) Rule 2024 pg.6
 2 | **Bringing early works forward to improve transmission planning** | Transgrid submission on the AEMC's draft determination _____

needed to reinforce supply to Sydney, Newcastle and Wollongong load centres.

Options for Sydney Southern Ring would include a mix of greenfield and brownfield works that are not necessarily common to each option. Broadly there are at least three options to satisfy the requirements for Sydney Southern Ring:

- Establish a 330kV switching station and flow control system with associated 330kV line works to connect to the switching station,
- Additional 330kV connection between Bannaby and Sydney West, and associated substation brownfield augmentations; or
- Additional 500kV connection between Bannaby and South Creek; and associated substation brownfield works.

This actionable ISP project provides a clear example on why the principles outlined in clause 6A.8.2(d)(d1) would prove restrictive in execution, as any commonality between all three of the options is limited and early works activities for these options are not common to each other nor can they be sold or utilised elsewhere. This is due to the generated outcomes of the early works being site specific for a single site or for a corridor.

QNI Connect

The 2024 final ISP identified QNI Connect as an actionable ISP project. The project is needed to reinforce and supplement the existing Queensland to NSW interconnector.

There are several design and location options for QNI connect. These include (but not limited to):

- Whether the line is a 500kV or a 330kV.
- Location of the terminal points.
- Route selection.

Each of these design and location options will impact on communities differently. As such, early works will need to be tailored accordingly to the affected communities and specification of the project. Social licence activities may not overlap from option to option and early works to prosecute these options will not have commonality to meet the proposed clause in the draft rule nor can these early works be sold (as they are site specific).

We encourage the AEMC to reconsider the wording of clause 6A.8.2(d)(d1) or alternatively delete the clause in its entirety from the drafting and allow the AER to assess early works expenditure, as they currently do, in the revenue determination. This is assessing the expenditure for prudence, efficiency and in the best interest to consumers.

Clause 6A.8.A1 - Eligibility for consideration as a contingent project

The AEMC has suggested that the eligibility threshold either exceeds \$30 million or 5% of the value of the

maximum allowed revenue³.

We understand, by including a threshold limit, the AEMC aims to limit the administrative burden on the AER, however we believe this threshold is too high. We would encourage the AEMC to consider lowering this threshold to allow TNSPs to undertake early works that are needed to reduce delays which do not meet the threshold. This could include targeted studies, targeted community engagement or procurement (e.g. deposit for equipment) which may not necessarily meet this threshold but have significant impact on project costs and progression.

If you or your staff require any further information or clarification on this submission, please contact Zainab Dirani at zainab.dirani@transgrid.com.au.

Yours faithfully



Monika Moutos
General Manager – Regulation and Policy

³ Draft National Electricity Amendment (Bringing early works forward to improve transmission planning) Rule 2024 pg.5

4 | **Bringing early works forward to improve transmission planning** | Transgrid submission on the AEMC's draft determination _____