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Mr Ian Woodward
Commissioner, Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235
By e-mail: submissions@aemc.gov.au

Ref: 251205/2
Your Ref: N/A
Contact: Franc Cavoli
Ph: 03 8664 6616

Dear Mr Woodward,

Reliability Panel's Review of a Nationally Consistent Framework for Transmission Reliability Standards – Interim Report

VENCorp appreciates the opportunity to respond to the Reliability Panel (RP) Interim Report on the Transmission Reliability Review ("Interim Report"). We have already responded to the RP in relation to the recommendation of Option F in a separate letter as requested. In this submission we wish to comment on some of the conclusions reached by KEMA in its advice to the RP in relation to the relative merits and comparison of deterministic and probabilistic planning methods.

We do not believe that KEMA's proposition that VENCorp uses a "hybrid subtractive" planning method is accurate. The initial sweep of the Victorian system does employ a deterministic methodology to identify possible augmentations. However, we believe that it is inaccurate to call it "hybrid-subtractive" for the following reasons:

1. The type of analysis conducted in that first sweep analysis is very rudimentary. It is not be the type of analysis that the regulator would allow investments to proceed under. It is not rigorous or lengthy and all that it is designed to do is identify in the most rudimentary way the parts of the network that may become constrained. Most of the work is done by very exhaustive cost benefit analyses making extensive use of probabilistic methodologies to calculate the energy at risk;
2. The initial network-wide study is designed such that after the initial sweep is completed it can be said with relative certainty that the remaining parts of the system are subject to a very low to zero probability of having energy at risk and/or the cost of augmentation to build out that risk is too high for the likely benefits;
3. Notwithstanding the last point, even if the initial sweep eliminates parts of the network as requiring augmentation, no possible augmentation is fully excluded from consideration. For example, if a transmission line were capable of supplying demand under n-1 conditions, there may still be a case for installation of a wind monitoring scheme, a relatively cheap project, to allow dynamic rating increase and thereby increase energy delivery at certain critical times of the year that have a very large value associated with it. Planning of this type can only be carried out with an intimate knowledge of the entire system which cannot be achieved by simply conducting mechanistic system flow analyses of the type that KEMA seems to assume occurs.

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4. Table 4[1] mentions that the deterministic planning method allows generation redispatch to be "tailored to specific conditions being studied", whereas the probabilistic method is confined to use a "generic approach to redispatch". This statement appears to highlight a basic misunderstanding by KEMA of probabilistic planning. Analyses are conducted under a number of different system configurations including various generation assumptions.

Given the subtleties in how VENCorp carries out its planning functions, it would have been useful for KEMA to speak to our planning engineers to understand the real nature of the activities that we undertake in that function. Unfortunately, VENCorp feels that the manner that it plans has not been accurately reflected and as a result we request that the references in the Interim Report to VENCorp using "hybrid subtractive" planning methodology be removed or revised to describe VENCorp's methodology more accurately. We feel that this is warranted because the conclusion drawn from KEMA's views can lead to inferences of the reliability of the Victorian system that are unwarranted. In stating that "the hybrid-neutral approach is preferred over the hybrid-subtractive because the probabilistic analysis, which may underestimate benefits, should not eliminate or delay projects or plans identified by the deterministic approach"[2], the Interim Report significantly distorts the way that VENCorp actually carries out its planning activities and allows unrealistic inferences to be drawn in relation to the true state of Victoria's shared network.

We remain open to any meeting with KEMA representatives so that they may achieve a better understanding of how VENCorp undertakes its planning functions.

Should you have any questions on anything in this letter please do not hesitate to contact Franc Cavoli on (03) 8664 6616 or Louis Tirpcou on (03) 8664 6615.

Yours sincerely

Matt Zema
Chief Executive Officer

[1] Australian Energy Market Commission – AEMC Reliability Panel, Towards a Nationally Consistent Framework for Transmission Reliability Standards, Review – Interim Report 5 August 2008, p. 138

[2] op cit, p. 136.