



17 November 2021

Transgrid regulation team

Lodged via email: regulatory.consultations@transgrid.com.au

Dear Sir/Madam,

Revised Project Assessment Draft Report - Broken Hill reliability project

The Clean Energy Council (**CEC**) is the peak body for the clean energy industry in Australia. We represent over 900 of the leading businesses operating in renewable energy, energy storage and renewable hydrogen. We are committed to accelerating Australia's clean energy transformation.

The CEC welcomes the opportunity to comment on Transgrid's revised Project Assessment Draft Report (PADR) as part of the consultation included in the Regulatory Investment Test for Transmission (RIT-T) for Broken Hill. The CEC acknowledges this process has been impacted by the Australian Energy Regulator's (AER) *Guidelines to make the integrated system plan actionable* released in August 2020.

We consider the RIT-T is not currently fit-for-purpose, as outlined in our recent submission to the Australian Energy Market Commission's (AEMC) *Transmission Planning and Investment Review*¹. The difficulties associated with the process has given rise to state derogations such as in Victoria (NEVA) and New South Wales (Electricity Infrastructure Roadmap) We also consider the current frameworks do not effectively support efficient outcomes, particularly non-network solutions.

There is clearly a need to change the current process if there is intention to continue using the national framework. The Broken Hill PADR is a practical example which highlights some issues with the current national framework, which need to be addressed.

As it relates to Broken Hill, the assessment process must better capture the full suite of costs and benefits associated with solutions needed to deliver a reliable, secure, and lowest cost decarbonisation of the NEM. To enable this, the CEC considers that the national frameworks must effectively internalise carbon costs and treat measures that reduce carbon emissions as a benefit that accrues to customers. A more comprehensive cost-benefit analysis to internalise the costs of carbon and consider the wider system benefits and wholesale market benefits provided by different solutions is critical to ensuring that future-proofed and efficient solutions are always considered.

The CEC is concerned that whilst all options would meet reliability standards for Broken Hill, certain options only operate in islanded conditions and at other times would not participate in the NEM. In addition to the benefits of participating in the wholesale market as outlined above, the preferred solution should encourage an interconnected grid which utilises existing transmission capacity to provide market and system benefit.

¹ <https://assets.cleanenergycouncil.org.au/documents/advocacy-initiatives/submissions/submission-consultation-paper-transmission-planning-investment-review.pdf>

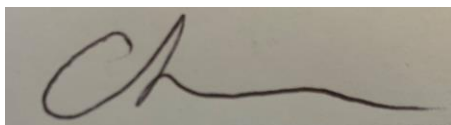
We understand the market benefit report conducted under the initial PADR (completed by EY) has not been updated with the revised PADR. As the PADR has now been revisited, the benefit report should also be amended to reflect the changed circumstances, including the updating of the Australian Energy Market Operator (AEMO) Integrated System Plan (ISP), which is expected to be updated in December 2021². Additionally, the context of the New South Wales Electricity Infrastructure Roadmap³ is also important to consider in line with this process. These changes are likely to have material implications for projects which contribute to the broader wholesale market and system. It follows that these benefits ought to be fairly captured in a revised benefits report.

Finally, the CEC understands that the financability of projects is a key consideration in unlocking the efficient investment that is needed to deliver transmission infrastructure. We are concerned by the treatment of existing capital costs and incremental (new) capital investment under the current RIT-T framework. The CEC considers the assessment of costs should not be biased towards existing infrastructure which does not require new capital investment, where new projects may provide greater overall benefits but require capital outlay to build and are therefore disadvantaged under the current framework. This is relevant in the AER's treatment of committed vs anticipated projects (outlined in 7.5.2 of the revised PADR), which highlights a bias towards existing solutions.

The CEC recommends the biases and potential changes to market benefits are reconsidered by Transgrid and the AER prior to the publishing of the Project Assessment Conclusions Report.

Thank you for the opportunity to comment on the PADR. If you would like to discuss any of the issues raised in this submission, please contact Jordan Ferrari, Policy Officer, at jferrari@cleanenergycouncil.org.au or myself, at czuur@cleanenergycouncil.org.au as outlined below.

Kind regards,

A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read 'CZuur'.

Christiaan Zuur
Policy Director – Energy Transformation

² <https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp>

³ <https://www.energy.nsw.gov.au/government-and-regulation/electricity-infrastructure-roadmap#LTESAs>