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Via electronic lodgement
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VNI Upgrade RIT-T PSCR Feedback

AusNet Services welcomes the opportunity to make a submission to the consultation process for the VNI Upgrade Regulatory Investment Test for Transmission (RIT-T). The RIT-T considers augmentation in both Victoria and New South Wales (NSW) to increase flow capacity to NSW on the Victoria to New South Wales Interconnector (VNI) as detailed in the Project Specification Consultation Report (PSCR).

The power system is undergoing transformation across the supply chain. New renewable sources of generation are displacing traditional fossil fuel generation, and the changes in location of generators is changing the volume and direction of power flow in the system. The 2018 Integrated System Plan (ISP) recommended a number of high priority projects, including the VNI Upgrade which was identified to enable more efficient sharing of generation resources between states.

Significant change in the energy sector has occurred since the preparation of the 2018 ISP including:

- government policy
- decreasing cost of new generation
- declining reliability of thermal generation, and
- significant system events resulting in load shedding and separation of NEM jurisdictions.

As a first step in planning, the 2018 ISP provides a solid foundation for this VNI RIT-T to start its analysis. AusNet Services sees benefit in examining further specific needs for Victorian energy supply in this VNI RIT-T, building upon the scenarios and analysis of the ISP, to enhance the cost benefit analysis, rather than being limited by the ISP. This will also ensure the next ISP can incorporate and be enriched by further considerations and outputs provided by this VNI RIT-T.

The key points AusNet Services recommends for consideration in the analysis are:

- **Identified need** should be broadened to consider the need to increase interconnector flows in both directions;
- **Assumptions** used to define the need and to conduct the future stages of this RIT-T should be updated to reflect significant changes that have occurred since the development of the 2018 ISP
- **System stability improvement** options should consider the value of devices that can provide additional services to the grid such as system strength
- Detailed analysis should be undertaken for **credible options** that provide uplift in VNI capacity for both export to NSW and import to Victoria

- **Materiality of market benefits** is likely to be greater for the options that increase interconnector flows in both directions. If these are not considered material (as indicated in PSCR Section 5) and therefore not included, this could bias the preferred option to the more minor of the credible options.

Identified need

The PSCR identifies the need to alleviate limitations on power transfer capacity from Victoria to New South Wales. This aligns well with the project identified in the 2018 ISP. However, as the mix and location of generators is rapidly changing, and reliability of the older Victorian coal fired generation fleet continues to decline, the need to increase capacity of power flow capability between states has broadened from that considered in the 2018 ISP.

Recent events in Victoria that culminated in load shedding on two consecutive days in January 2019, illustrated the lack of available generation within Victoria and the inability of existing interconnectors to transfer sufficient additional generation from other states. AEMO should therefore consider the need to supply Victorian load from NSW supply, and identify the need in this RIT-T as an increase of interconnector capability both *from Victoria to NSW and from NSW to Victoria*.

The identified benefits category for reduced voluntary load curtailment and involuntary load shedding should be explored to determine if there is justification for an increase in import capacity to Victoria.

Assumptions made in identifying the need

The assumptions underpinning the 2018 ISP were largely formulated in 2017 and the VNI RIT-T is likely to be completed in mid 2020. Reliance on the 2018 ISP assumptions is likely to be inappropriate for this RIT-T. Review of key assumptions including; reliability and likely retirement dates for coal generators; updated energy infrastructure costs and projections; key policy decisions and stated intentions for future energy policy; and changes in the probability of system events; is necessary to ensure the RIT-T analysis is up to date and robust.

Options to address stability limitations

The PSCR indicates AEMO will consider a wide range of options to resolve the system stability limitations identified. AusNet Services supports this position and encourages AEMO to investigate installation of devices that are capable of providing additional services and benefits to the grid.

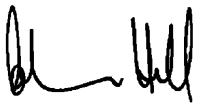
Credible options and materiality of benefits

In line with feedback on broadening the identified need for the VNI Upgrade, AusNet Services urges AEMO to give full consideration to credible options that provide interconnector capacity uplift for both import to Victoria and export to NSW. Detailed consideration and quantification of other market and system benefits of adding a third line to the VNI, will enable robust selection of a preferred option.

Taking into account the length of the RIT-T process and the time to implement augmentation projects of this nature, AusNet Services encourages AEMO to redefine the identified need to include consideration of increasing interconnector flows in both directions rather than increasing flows to NSW only.

AusNet Services continues to offer our assistance to investigate further options and would be pleased to discuss any of the comments and suggestions in this response. Please contact Jacqui Bridge, our Manager Transmission Network Development, if we can assist with any queries in relation to this submission.

Yours sincerely,



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