

VicGrid Contestability Guidelines

1/12/2025

Acknowledgement of Country

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it.

We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

VicGrid is committed to genuinely partnering with Victorian Traditional Owners and Victoria's Aboriginal community to progress their aspirations.

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1 Introduction

1.1 VicGrid

VicGrid is responsible for carrying out the declared network functions in Victoria which include to plan, authorise, contract for and direct *augmentations* to Victoria's electricity transmission network (*declared shared network* or DSN).

1.2 Purpose of these Guidelines

The purpose of these VicGrid Transmission Augmentation Contestability Guidelines (Contestability Guidelines) is to outline the principles and criteria that VicGrid will apply when determining whether an *augmentation* to the DSN is a *contestable augmentation*.

The Contestability Guidelines are required by Clause 8.11.3 of the National Electricity Rules (NER), as amended by the National Electricity (Victoria) (VicGrid) Regulations 2025.

1.3 Glossary

This section contains a glossary for terms used in the Contestability Guidelines. Capitalised terms are as defined in this glossary; italicised terms have the same meaning as in the National Electricity Rules or National Electricity Law.

Term	Meaning
AEMO	Australian Energy Market Operator Ltd.
DSN	<i>declared shared network</i>
DTSO	<i>declared transmission system operator</i>
NEL	<i>National Electricity Law</i>
NER	<i>National Electricity Rules</i>
NEVA	<i>National Electricity (Victoria) Act 2005</i>

2 Interpretation

The following principles of interpretation apply to the Contestability Guidelines unless otherwise indicated:

- (a) If a word or phrase is defined in the Contestability Guidelines, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (b) The singular means the plural and vice versa and a gender includes all genders.
- (c) References to a document include its schedules, attachments, appendices and the like.
- (d) References to legislation include subordinate legislation and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them.

- (e) The words “includes”, “including” or “such as” are not words of limitation and, when introducing an example, do not limit the meaning of the words to which the example relates to examples of a similar kind.
- (f) Unless the context otherwise requires, this document will be interpreted in accordance with Schedule 2 of the National Electricity Law.
- (g) If there is any inconsistency between this document and the NER, the NER will prevail to the extent of that inconsistency.

3 Identification of the need for augmentation to the DSN

A need for an *augmentation* to the DSN may be identified through a number of ways including the following:

- Publication of the Victorian Transmission Plan (VTP), which will identify *augmentations* required to support the development of REZs (see section 60 of the *National Electricity (Victoria) Act 2005* (NEVA)).
- Publication of the Victorian Annual Planning Report (VAPR), which will identify emerging *network constraints* and potential *augmentations* to ensure the DSN meets the *reliability standard* (see clause 5.12.2 of the National Electricity Rules (NER)).
- Publication of the Integrated System Plan (ISP), which will identify *actionable ISP projects* (see rule 5.22 of the NER).
- Publication of Inertia Reports, which will identify the need for *augmentations* to address *inertia shortfalls* (see clause 5.20.5 of the NER).
- Publication of System Strength Reports, which will identify the need for *augmentations* to address *system strength requirements* (see clause 5.20.7 of the NER).
- A request to address an *NSCAS (Network Support and Control Ancillary Services) gap* (see clause 3.11.3 of the NER).
- Requests for *connection* to the DSN from *Connection Applicants* (see rule 5.3 of the NER) or alteration to *facilities* owned by *Generators, Market Customers, or Network Service Providers* (see clauses 5.3.9 and 5.3.12 of the NER).

Once a decision is made to *augment* the DSN, VicGrid will determine whether the *augmentation* is *contestable*.

4 Determining if an augmentation is contestable or non-contestable

Contestable Augmentations

- (a) An *augmentation* of a DSN is a *contestable augmentation* if VicGrid determines it to be one in accordance with Clause 8.11.6 of the *NER*, as modified by the National Electricity (Victoria) (VicGrid) Regulations 2025.

- (b) An *augmentation* of the DSN may be a *contestable augmentation* if VicGrid determines that:
- (1) the *augmentation* is a *separable augmentation*;
 - (2) the capital cost of the *augmentation* is reasonably expected to exceed the relevant limit;
and
 - (3) treating the *augmentation* as a *contestable augmentation* accords with these Contestability Guidelines.

Note that the relevant limit is set as \$20 million for the financial years beginning 1 July 2025 and 1 July 2026 and will be subsequently adjusted every year in line with inflation to ensure it continues to reflect actual price increases.¹

For each financial year commencing 1 July 2027, the relevant limit will be calculated as follows:

$$RL = PRL \times (CPIa / CPIb)$$

where:

RL = the relevant limit for that financial year;

PRL = the relevant limit for the previous financial year;

CPIa = the Consumer Price Index: All Groups Index Number Melbourne published by the Australian Bureau of Statistics for the quarter ending 31 March of the previous financial year;

CPIb = the Consumer Price Index: All Groups Index Number Melbourne published by the Australian Bureau of Statistics in respect of the quarter ending on 31 March of the financial year before the previous financial year.

- (c) An *augmentation* of the DSN may not be a *contestable augmentation* if VicGrid determines that any one or more of the following apply:
- (1) the delay in implementation that would necessarily result from treating the *augmentation* as a *contestable augmentation* would unduly *prejudice power system security*;
 - (2) it is not economical or practicable to treat the *augmentation* as a *contestable augmentation*;
 - (3) there is an insufficient number of potential tenderers with the capability or capacity to deliver the proposed *augmentation*;
 - (4) the cost of a competitive procurement process outweighs the value reasonably expected to be derived from the conduct of a competitive procurement process.

¹ Note that the definition of relevant limit in the NER has been modified by the National Electricity (Victoria) (VicGrid) Regulations 2025.

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