

22 August 2023

Ms Stephanie McDougall
General Manager of Regulation, Community and Policy
Transgrid

via email: stephanie.mcdougall@transgrid.com.au

Dear Ms McDougall

I am writing to you regarding your inquiry on 25 July 2023 as to whether there has been a 'material change of circumstances' relevant to the completed RIT-T for 'Reinforcing the NSW Southern Shared Network'.

In short, in view of the updated costs of the preferred option published by AEMO, we require that Transgrid make an assessment of whether a material change in circumstances has occurred before it submits a future contingent project application. Moreover, we seek confirmation of whether Transgrid has requested AEMO assess the impact of the updated costs of the preferred option on the optimal development path in the Integrated System Plan (ISP). Our reasons are set out below.

Material changes in circumstances on completed RIT-T

The project assessment conclusions report (PACR) for 'Reinforcing the NSW Southern Shared Network' RIT-T was published by Transgrid on 29 July 2021. We note that the PACR estimated the cost of the preferred option of \$3.3 billion and estimated net benefits of \$491 million. AEMO has recently released its Transmission Expansions Options Report on 28 July 2023 as part of its 2024 ISP process. We also observe that this report has provided an updated estimate of the costs of the preferred option in the RIT-T of \$4.9 billion (June \$2023), or a nominal increase of \$1.6 billion.

As you are aware cl 5.16A.4(n) of the National Electricity Rules (NER) requires the RIT-T proponent to reapply the RIT-T (unless otherwise determined by the AER) if:

- The RIT proponent has published a PACR for the project; and
- There has been a material change in circumstances which, in the reasonable opinion of the RIT-T proponent, means that the preferred option identified in the project assessment conclusions report is no longer the preferred option.

We are of the view that cl 5.16A.4(n) creates an obligation on Transgrid to consider whether a 'material change in circumstances' has occurred. In view of the updated estimated costs of the preferred option for the 'Reinforcing the Southern Shared Network' RIT-T, we expect Transgrid to:

- demonstrate that it has considered whether in its reasonable opinion there has been a material change in circumstances; and

- make publicly available any assessment to stakeholders, including any supporting analysis considered by Transgrid to inform its reasonable opinion.

We consider that Transgrid should determine whether there has been a material change in circumstances as soon as possible. We consider it necessary that Transgrid make available to the AER and stakeholders, Transgrid's 'material change in circumstances' assessment before it submits a further contingent project application to the AER.

Eligibility to submit a contingent project application

Further, as you are aware, to be eligible to submit a contingent project application for an actionable ISP project pursuant to cl. 5.15A.5(b)(2) of the NER, Transgrid must seek AEMO confirmation, amongst other matters, that the cost of the preferred option does not change the status of the actionable ISP project as part of the ISP optimal development path in accordance with cl. 5.22.15 of the NER, where applicable.

We also note that pursuant to cl. 5.22.15(b)(2) of the NER:

- if after the completion of the most recent ISP, a RIT-T proponent requests that AEMO assess an actionable ISP project or stage of an actionable ISP project under cl. 5.16A.5(b); then
- AEMO must as soon as practicable, assess the impact of the new information on the optimal development path under that ISP.

We seek confirmation as to whether Transgrid has requested that AEMO assess the impact on the ISP optimal development path of the updated estimated costs of the preferred option pursuant to cl. 5.22.15(b)(2) of the NER.

I note that AER staff have been liaising constructively with Transgrid as part of pre-lodgement discussions on the proposed HumeLink contingent project application over the course of the last few months. I would encourage further engagement and note our willingness to provide feedback to Transgrid on the proposed HumeLink contingent project application ahead of any formal lodgement of the application.

If you have any queries regarding this matter, please contact Blair Burkitt at blair.burkitt@ aer.gov.au.

Yours sincerely



Stephanie Jolly
**A/Executive General Manager
Consumers, Policy and Markets**