

To whom it may concern at the AER,

I welcome the opportunity to provide a submission to the Transgrid HumeLink contingent project stage 2.

I am a Researcher at [REDACTED] and am an experienced energy economist.

To be clear, I am conducting this submission in my personal capacity and this is in no way reflective of any views of my organisation.

In no uncertain terms, I am firmly of the belief that the business case for HumeLink is unfounded. Careful scrutiny of HumeLink made by critics in the past have not been substantively addressed. There is no adequate basis as to why HumeLink has to be expedited a full 3 years early, when it is dependent on a complete and functioning Snowy 2.0 and an 82% VRE NEM, both of which cases become increasingly unlikely each day. After reviewing the details, I would like to express my opposition to this premature approval based on the following key arguments:

1. Enforcement of the law: As a consumer, I expect the AER to consistently enforce the letter of the law. The AER has admitted to selectively enforcing the rules to favour the HumeLink project. This selective enforcement undermines consumer trust and the regulatory process. Senator Ross Cadell's Question on Notice highlighted this issue, and it is imperative that the AER rectifies this by enforcing the rules fairly and transparently. As the independent, central and national regulator, it should not have to be reminded that the AER should dutifully take care to protect consumer interests at all costs, and certainly precedent over corporate or political interests. Unfortunately, this process seems to be rife with political capture.

2. Transgrid's eligibility and legal standing: Transgrid should re-submit the Contingent Project Application as they were not eligible to submit the one currently under AER assessment. According to the National Electricity Rules, the application should be based on the most recent Integrated System Plan (ISP). However, the update to the ISP lacked proper consultation and legal standing. The old 2022 ISP would have shown HumeLink at the new cost has negative benefits, and should be cancelled. This procedural oversight means that the application does not meet the necessary legal criteria and should be resubmitted following the correct procedures. To me it is clear that the CPA has failed to address the new economic projections of HumeLink (which are negative benefits). Since the original feedback loop is still the one associated with the application, the application must be made again. It should be asked of the regulator directly as to why investment in an asset now forecast to deliver negative benefits by the market operator should be expedited.

3. Flaws in the 2024 Integrated System Plan: The 2024 ISP acknowledged critical flaws affecting HumeLink but failed to correct them. Specifically:

- **Timing:** The final ISP ignored submissions suggesting the project should align with the timetable to avoid unnecessary costs. Advancing the project by three years increases costs without corresponding benefits and seems to be a corporate handout to Transgrid.
- **Renewable energy target realism:** The business case for HumeLink depends on achieving an 82% renewable energy target by 2030, which is now widely regarded as unrealistic. This overestimates the project's benefits and underestimates the potential for over-investment.
- **Indefensible modelling assumptions:** The perfect foresight in AEMO's modelling process overstates the benefits of HumeLink. The gas and battery investments, timed perfectly in the models, are not realistic. These are assumptions of an unserious analysis and I have grave concern as to how an investment decision with so much public risk can be made on such shaky evidence.
- **TOOT analysis:** The 'take one out at a time' (TOOT) analysis method used by AEMO overstates HumeLink's benefits by treating other investments as sunk costs. This sunk cost zealotry appears to reign supreme in all of the major renewables planning documents, and bears significant public risk—not to mention its moral indefensibility. This analysis should be revised to provide a more accurate assessment of the project's benefits.

4. Accountability for financial penalties: Transgrid admitted to locking in contractors based on an unrealistic approval date and has requested the AER to expedite the approval process to avoid penalty costs, estimated at nearly a million dollars per day. It is not apparent to me as to why these costs (caused privately by Transgrid) should be passed onto consumers. Transgrid's shareholders should bear the financial consequences of these decisions, not the electricity consumers.

In conclusion, I urge the AER to carefully reconsider the early approval of the HumeLink project. There is no credible basis for its expedition, and to my cynical eye, the decision seems to be motivated by crony capitalism and political interest. The current approach appears rushed, legally flawed, and not in the best interest of consumers. The AER should ensure that all regulatory requirements are strictly followed and that consumer interests are adequately protected, as well as public costs minimised.

The clean energy transition remains a fundamentally important challenge for myself and my generation, as a 26 year old. I am personally very pro a clean energy transition with renewables thriving in the best role they can—but due to the sheer amount of capital that the energy transition will demand, we must be extremely scrupulous and disciplined with our investment decision making. HumeLink may have a role in Australia's energy future, but there is no defensible basis for its expedition now.

I'm happy to be contacted on any of the above points.

Yours sincerely,

Jae Lubberink