

28 June 2019

Paula Conboy
Chair
Australian Energy Regulator
Level 17, Casselden
2 Lonsdale Street
MELBOURNE VIC 3000

Dear Paula,

Re: Contingent Project Application – Main Grid System Strength Project

Please find attached a contingent project application for the Main Grid System Strength Project, submitted in accordance with clause 6A.8.2(a) of the National Electricity Rules (Rules).

ElectraNet's Main Grid System Strength Project involves the installation of four high inertia synchronous condensers to address the system strength gap in South Australia declared by the Australian Energy Market Operator (AEMO) in October 2017. The inertia capability of these machines also addresses the synchronous component of the inertia shortfall declared by AEMO on 21 December 2018.

We submit this application to allow the AER to amend the revenue determination that applies to ElectraNet in the 2018-19 to 2022-23 regulatory control period by determining the amount of capital and incremental operating expenditure for each remaining regulatory year, the total capital expenditure and the incremental revenue required to deliver this contingent project.

Formal lodgement of this application follows the pre-lodgement process undertaken in accordance with the AER's Process Guideline for Contingent Project Applications, which included the provision of a range of background and supporting information to the AER together with a draft copy of this application.

The trigger events approved by the AER for this contingent project have been satisfied as follows:

1. Confirmation by AEMO of the existence of a system strength gap, or other requirement for ElectraNet to address a system strength requirement, in the South Australian region, which occurred on 13 October 2017.
2. Successful completion of an equivalent economic evaluation to a RIT-T, including an assessment of credible options showing a transmission investment is justified, which was published by ElectraNet on 18 February 2019.

3. Determination by the AER that the proposed investment satisfies an economic evaluation equivalent to a RIT-T, which occurred on 18 February 2019.
4. ElectraNet Board commitment to proceed with the project, subject to the AER amending the revenue determination pursuant to the Rules, which was provided on 30 May 2019.

Consistent with recent Rule changes made by the Australian Energy Market Commission (AEMC) that extend the period during which a contingent project application may be submitted to the AER, we are submitting this application at the earliest opportunity following the occurrence of the trigger events outlined above and the conclusion of the pre-lodgement engagement process.

The following material comprises our contingent project application and addresses both the information requirements set out in clause 6A.8.2(b) of the Rules and further information to assist the AER in assessing our application as identified during the pre-lodgement consultation:

- Contingent project application document
- Capital cost inputs file
- Post Tax Revenue Model (PTRM)
- Scope of works summary document
- Expert advice on regulatory asset life for synchronous condensers

We are claiming confidentiality over the detailed cost information contained in the capital cost inputs file listed above that is of a commercially sensitive nature at this time.

In accordance with the AER's Confidentiality Guideline, Attachment 1 to this letter provides a completed confidentiality template explaining the confidentiality of this document. We consent to the full disclosure of the remaining material we have submitted above under the Rules.

We look forward to working with the AER through the formal assessment of this contingent project application, and to the timely delivery of the Main Grid System Strength project in the interests of electricity customers and the secure and reliable operation of the power system in South Australia.

Please direct any queries in relation to this application to Simon Appleby in the first instance on (08) 8404 7324.

Yours sincerely



Rainer Korte
Group Manager Asset Management

ATTACHMENT 1

Confidentiality Template

Title, page and paragraph number of document containing the confidential information	Description of the confidential information.	Topic the confidential information relates to (e.g. capex, opex, the rate of return etc.)	Identify the recognised confidentiality category that the confidential information falls within.	Provide a brief explanation of why the confidential information falls into the selected category. If information falls within 'other' please provide further details on why the information should be treated as confidential.	Specify reasons supporting how and why detriment would be caused from disclosing the confidential information.	Provide any reasons supporting why the identified detriment is not outweighed by the public benefit (especially public benefits such as the effect on the long term interests of consumers).
Capital Cost Inputs File	Details of capital expenditure cost estimates	Capital expenditure	Market sensitive inputs	The file extensively details information that would affect ElectraNet's ability to obtain competitive prices in future transactions.	If this information is disclosed it would adversely affect ElectraNet's ability to negotiate competitive prices in the future.	If published this information will compromise ElectraNet's ability to deliver the lowest possible costs, detrimental to long term customer interests.

**No public version of this document is available given the nature of the information it contains*

Proportion of Confidential Material

Document Title	Number of pages of submission that include information subject to a claim of confidentiality	Number of pages of submission that do not include information subject to a claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to a claim of confidentiality	Percentage of pages of submission that do not include information subject to a claim of confidentiality
Capital Cost Inputs File	6	96	102	6%	94%

Note: each sheet from the relevant excel files is counted as a page