

Australian Energy Regulator

Submitted electronically to [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

7<sup>th</sup> February 2014

**RE: ElectraNet: Heywood Interconnector upgrade -  
Contingent project application**

AER Ref: 53155

Att: Mr Paul Dunn, Director



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Dear Mr Dunn,

Thank you for the opportunity to comment on ElectraNet's Contingent Project Application<sup>1</sup>.

As the peak body for the community services sector in South Australia, SACOSS has a long-standing interest in the delivery of essential services and in particular the cost of basic necessities like electricity because they impact greatly and disproportionately on vulnerable and disadvantaged people.

SACOSS has commented at various points in the process to date for the Heywood upgrade<sup>2</sup>. Our view is that a more cost-effective option should have been pursued given the uncertainties related to the long-term need for the project and the potential changes to the regulatory frameworks that may govern transmission investments in the future<sup>3</sup>. However, the matter at hand is the timing and cost of the selected option, not the consideration of alternate options.

With this in mind, SACOSS is particularly interested in the optimal timing of the project. It is noted that since the conclusion of the Regulatory Investment Test (RiT-T) some significant changes to the project's context have occurred. The change in federal government in September 2013 is expected to remove the carbon price and has seen increased uncertainty in the future of the Renewable Energy Target (RET). In December 2013, AEMO released the 2013 National Transmission Network Development Plan (NTNDP)<sup>4</sup> and considers lower projected electricity consumption growth than forecast in 2012 and that RET-driven renewables, particularly wind, will be the only new generation investment out to 2020.

SACOSS notes that Wind Energy generators are key beneficiaries of the upgrade<sup>5</sup> and remains concerned that consumers are being asked to fund this upgrade regardless of the

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<sup>1</sup> <http://www.aer.gov.au/node/23187>

<sup>2</sup> [www.aemo.com.au/Electricity/Planning/Regulatory-Investment-Tests-for-Transmission/Heywood-Interconnector-RIT-T](http://www.aemo.com.au/Electricity/Planning/Regulatory-Investment-Tests-for-Transmission/Heywood-Interconnector-RIT-T) and [www.aer.gov.au/node/19916](http://www.aer.gov.au/node/19916) and [www.electranet.com.au/network/current-and-planned-projects/south-east/new-developmentpage-9/](http://www.electranet.com.au/network/current-and-planned-projects/south-east/new-developmentpage-9/)

<sup>3</sup> [www.aemc.gov.au/Market-Reviews/Completed/transmission-frameworks-review.html](http://www.aemc.gov.au/Market-Reviews/Completed/transmission-frameworks-review.html)

<sup>4</sup> <http://www.aemo.com.au/Electricity/Planning/National-Transmission-Network-Development-Plan>

<sup>5</sup> See, for example, the South Australian Minister for Energy 04.09.13 at [www.dmitre.sa.gov.au/article/view/1385](http://www.dmitre.sa.gov.au/article/view/1385)

fact that these benefits accrue to wind generators or, under a much reduced RET, do not appear at all.

In summary, SACOSS asks the AER to revisit the assumptions underpinning the timing of this investment in light of the changing market needs. It is imperative for the AER to reach a position where it can assure consumers that now is the optimal time to approve an investment of \$66m. Noting that, with the regulated cost of capital current at a historic low of 7.5% and if the benefits do not appear as originally forecast, then each year that the project can be deferred will save consumers in the order of \$5m.

We thank you in advance for your consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via [jo@sacoss.org.au](mailto:jo@sacoss.org.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'RWomersley', with a large, sweeping flourish underneath.

Ross Womersley  
Executive Director