

4 February 2014



Mr Peter Clark
Chief Executive Officer
Transend Networks
PO Box 606
Moonah TAS 7009

FROM THE OFFICE OF THE
CHIEF EXECUTIVE OFFICER

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Peter,
Dear Mr Clark

AEMO Endorsement of Transend Network Capability Incentive Parameter Action Plan (NCIPAP) for 1 July 2014 – 30 June 2019

I am writing to you regarding AEMO's endorsement of the proposed list of prioritised projects under Transend's NCIPAP for 1 July 2014 – 30 June 2019.

Under clause 5.2 of the AER's Service Target Performance Incentive Scheme (STPIS) Guidelines, TNSPs are obligated to consult with AEMO when developing the NCIPAP. Transend and AEMO have worked collaboratively to identify the market benefits of the projects presented by Transend under the scheme. AEMO would like to thank Transend for its support during this process.

Based on our assessment, AEMO endorses 19 of 21 projects proposed by Transend under the NCIPAP scheme. Total endorsed project costs come to \$14.4 million. This equates to 1.4% of Transend expected revenue proposal for the next regulatory period.

AEMO did not endorse two of Transend's proposed projects, Transend's (listed as projects 6 and 7), as they currently operate across Transend's network and do not provide new capability. AEMO will support the inclusion of these projects in Transend's operating budget.

AEMO's project assessment methodology comprised of modelling and analysis of network limitations, considering historical congestion, future network flows and reliability and security implications.

Under the scheme, AEMO is required to prioritise projects bases on value for money provided for electricity customers. 19 of the 21 projects submitted by Transend under NCIPAP are assessed as having positive net market benefits and delivering value to customers. The list of endorsed projects is included as Attachment 1.

If you have any questions or would like to seek any clarification please contact Louis Tirpcou, Group Manager Planning on (03) 9609 8415.

Yours sincerely

Matt Zema
Managing Director and Chief Executive Officer

cc: Michelle Groves, Chief Executive Officer, AER

Attachments: List of proposed prioritised NCIPAP projects – Transend Networks.

AEMO ENDORSEMENT LETTER FOR TRANSEND NCIPAP - 4 FEBRUARY 2014

Project Ranking	Project number	Transmission circuit / Injection point	Project description	Capital cost (\$k)	Operating cost (\$k)	Total cost (\$k)	Annual benefit (\$k)	Payback period	Transend Ranking
1	24	All transmission lines that are currently controlled through AEMO's generation dispatch	Fifteen minute transient ratings for transmission lines	40	-	40	450	0.09	3
2	26	Knights Road Substation	Dynamic rating of Knights Road supply transformers	150	16	166	456	0.33	4
3	18	Boyer Substation	Dynamic rating of Boyer Substation supply transformers	180	20	200	507	0.36	5
4	12	Farrell-Que-Savage River-Hampshire, Farrell-Rosebery-Queenstown, Norwood-Scottsdale-Derby and Lindisfarne-Sorell-Triabunna 110 kV transmission circuits	Installation of new line fault indicators	230	19	249	588	0.39	6
5	14	All transmission circuits whose flow is controlled by AEMO constraint equations	Review and optimisation of Operational Margins for Transend limit equations	-	35	35	79	0.44	7
6	2	Palmerston-Avoca and Knights Road-Huon River-Kermanide 110kV transmission circuits	Line fault indicator (LFI) remote communications	60	-	60	88	0.68	8
7	31	Basslink Tasmania-Victoria interconnector	George Town automatic voltage control scheme (GTAVCS) 2.0	480	-	480	424	1.13	9
8	19	All 220/110kV network transformers	Dynamic rating of all 220/110 kV network transformers	900	58	958	750	1.20	10
9	28	Waddamana-Palmerston No 2 110kV transmission circuit	Restricting P1 bay conductor at Palmerston Substation	50	-	50	25	2.00	11
10	34	SH-GT 220 kV transmission line	Replace disconnectors, CT and bay conductor to achieve line rating increase and reduce market constraints	1,120	-	1,120	493	2.27	12
11	32	Weather stations at Creek Road, Chapel Street, Devonport, Trevallyn, Hadspen, Sheffield, and Farrell substations	Weather station telemetry renewal	1,050	-	1,050	225	4.67	13

Project Ranking	Project number	Transmission circuit / Injection point	Project description	Capital cost (\$k)	Operating cost (\$k)	Total cost (\$k)	Annual benefit (\$k)	Payback period	Transend Ranking
12	11	Liapootah-Waddamana-Palmerston No 1, Liapootah-Cluny-Repulse-Chapel Street No 1, Liapootah-Chapel Street No 2 and George Town-Comalco No 4 & 5 220 kV transmission circuits. Hadspen-Norwood No 1 & 2 110 kV transmission circuits.	Upgrade of dead end fittings on selected transmission lines.	840	-	840	175	4.80	14
13	16	Farrell Substation	Installation of second 220 kV bus coupler circuit breaker at Farrell Substation	665	120	785	94	7.07	15
14	1	Castle Forbes Bay Tee Switching Station	Castle Forbes Bay Tee Switching Station disconnector upgrade	250	-	250	31	8.06	16
15	3	Sheffield-Farrell 1 & 2, Farrell-Reece 1 & 2, Farrell-John Butters 220kV and Farrell-Rosebery-Queenstown 110 kV transmission circuits	Transmission line surge diverter installation and tower footing earthing improvements	550	-	550	68	8.09	17
16	33	Multiple	Substandard spans verification and rectification	3,720	-	3,720	287	12.96	18
17	21	Palmerston-Hadspen No 1 & 2, Palmerston-Sheffield and Sheffield-Burnie No 1 220 kV transmission circuits	Installation of modern fault location functionality for more accurate fault location on the identified circuits	120	14	134	8.5	14.12	19
18	17	Chapel Street Substation	Install a second 110 kV bus coupler dead tank circuit breaker in series with the existing bus coupler circuit breaker	450	-	450	25	18.00	20
19	9	George Town Substation	George Town Substation replacement of 220 kV disconnectors with remotely operable disconnectors	3,300	-	3,300	80	41.25	21