
To	Stephanie McDougall, Robert Alcaro - Transgrid
From	Ann Whitfield, Liam Hickey
Subject	Updated NPV results for recent RIT-Ts using latest Transgrid unit rates
Date	19 September 2022

This memo summarises the results of our update of the NPV analysis across four recent RIT-Ts, to reflect an update in Transgrid's estimated unit rates and (in the case of the South-west NSW RIT-T) minor revisions to capex timing.

Our analysis confirms that the RIT-T outcomes remain unchanged as a result of these changes.

For each of the four RIT-Ts (Bathurst, Orange and Parkes, North West Slopes, South-west NSW, and Line 86), we have also provided an updated NPV model that provides details of the updated results across all scenarios in addition to the updated weighted results.

1. Unit rate update

The updated NPV results presented below incorporate Transgrid's unit rates for 2021-22 in the capex inputs.

The original cost and benefit inputs used in the PACR were in real 2021 dollar terms. Given that the updated unit rates are in 2022 dollar terms, we have also updated the remaining inputs for the revised NPV analysis to also be in real 2022 dollar terms, using CPI data from the ABS.

The comparison charts below present the original PACR results (in real 2021 dollar terms) on the right hand side, and the results with the updated unit rates (in real 2022 dollar terms) on the left hand side. The purpose of the comparison charts is to confirm that the rankings of the top credible options has not changed as a result of the updated unit rates, and so we have opted to keep the PACR results in real 2021 dollars to aid this comparison.¹

1.1 Maintaining reliable supply to the Bathurst, Orange and Parkes areas

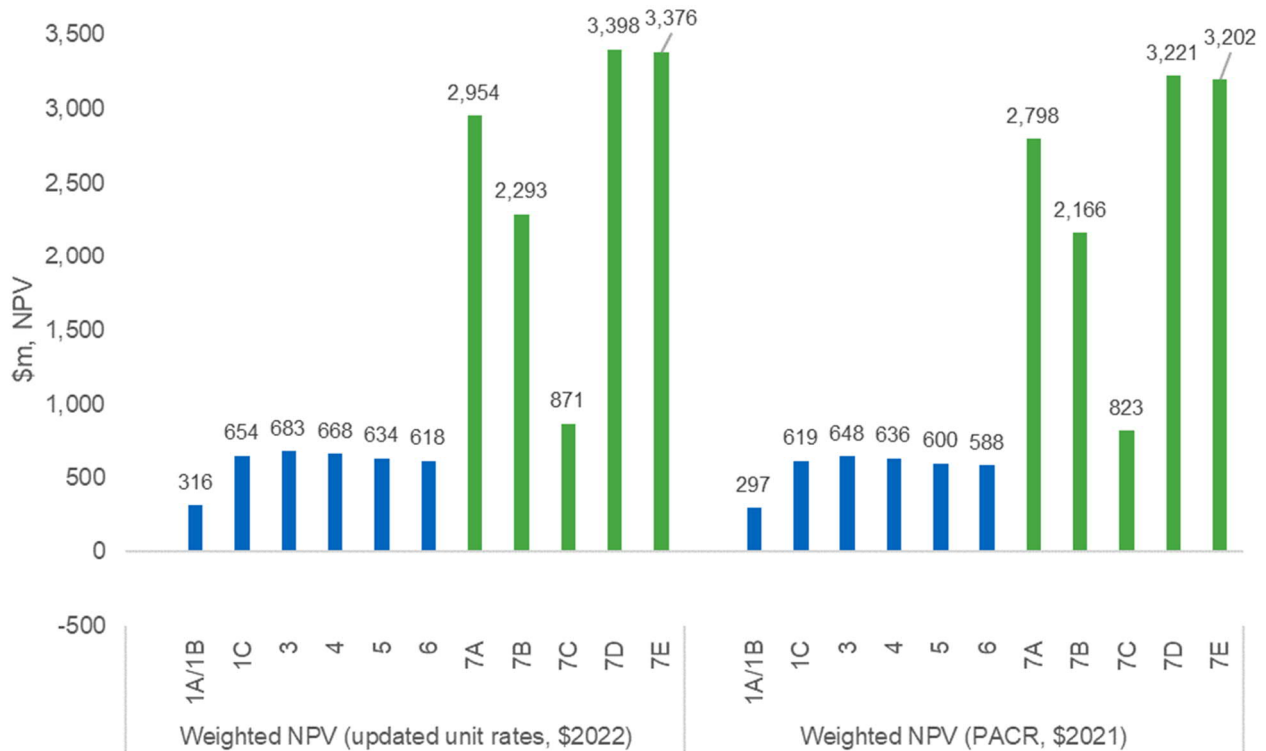
Figure 1 presents the Bathurst, Orange and Parkes (BOP) RIT-T weighted NPV results with the updated unit rates compared to the weighted NPV results presented in the BOP Project Assessment Conclusions Report (PACR).

The updated unit rates do not change the ranking of the credible options from the PACR. In particular, Options 7A – 7E remain the highest ranked options, with Option 3 being the preferred purely network option.

Further, the ranking of the top six options in all reasonable scenarios does not change.

¹ Adjusting the PACR NPV analysis to present it in 2022 dollars would change the values presented but would not affect the relative ranking of the options.

Figure 1 – BOP PACR weighted NPV with updated unit rates



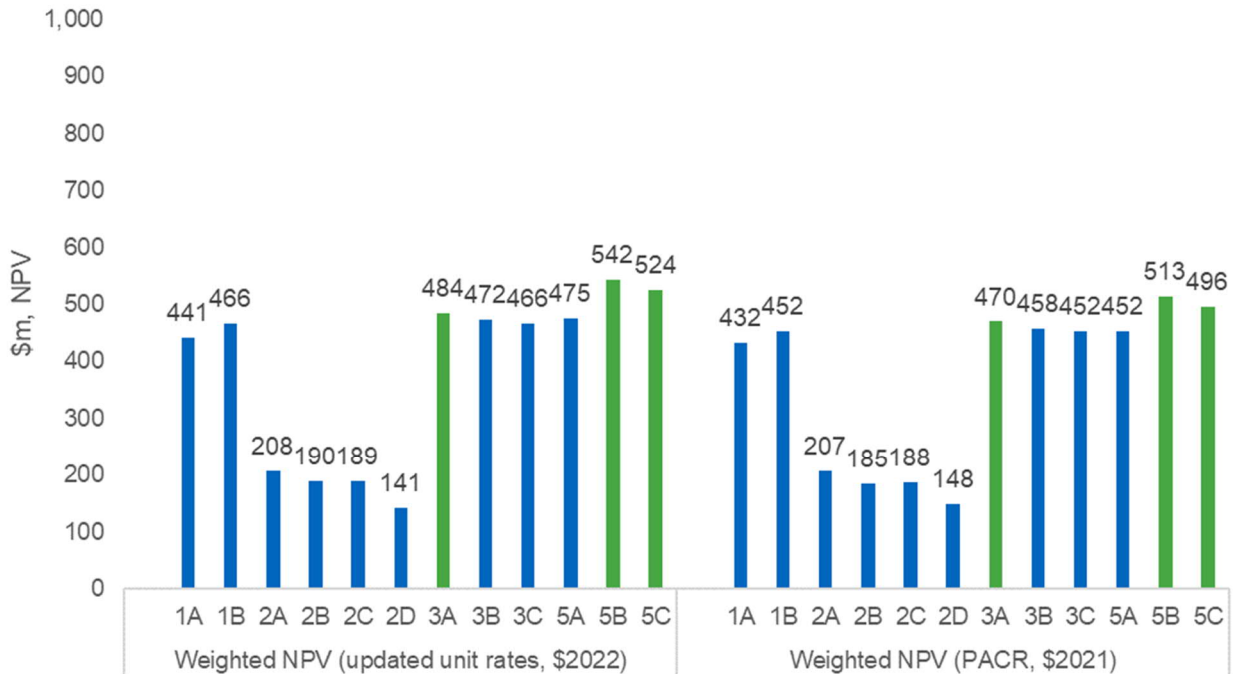
1.2 Maintaining reliable supply to the North West Slopes area

Figure 2 presents the North West Slopes RIT-T weighted NPV results with the updated unit rates compared to the weighted NPV results presented in the North West Slopes PACR.

The updated unit rates do not change the ranking of the top three credible options from the PACR. In particular, Options 5B and 5C remain the highest ranked options, with Option 3A being the preferred purely network option.

The ranking of the credible options in the central and high scenarios is the same as it is in the PACR, while the rankings of Option 5B and Option 5C have improved in the low scenario (from being ranked 4th and 7th respectively to being ranked 1st and 5th respectively).

Figure 2 – North West Slopes PACR weighted NPV with updated unit rates

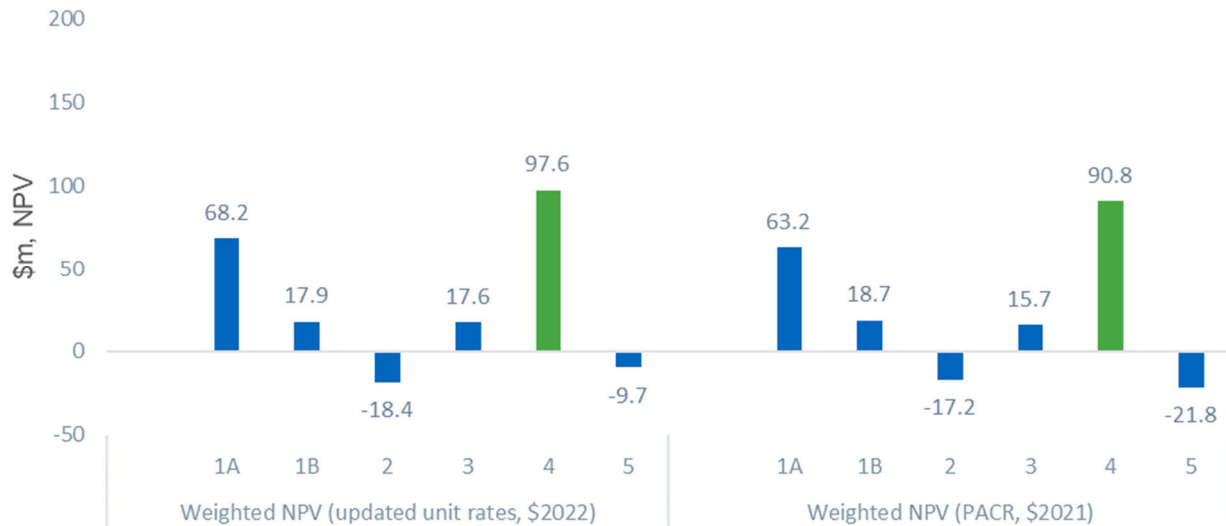


1.3 Improving stability in South-west NSW

Figure 3 presents the South-west NSW RIT-T weighted NPV results with the updated unit rates compared to the weighted NPV results presented in the South-west NSW PACR. Further, the project phasing has also been updated for all options as capex that was anticipated to occur in the current regulatory period is now expected to occur in the forthcoming regulatory control period (and is reflected in Transgrid’s revised capex forecast for the forthcoming period). A similar adjustment to capex timing has also been assumed for the other options considered in this RIT-T.

The updated unit rates and revision to the capex timing do not change the ranking of the top four credible options from the PACR on a weighted basis. Option 4 remains the preferred option. Further, the ranking of the top three credible options in each reasonable scenario does not change relative to the PACR.

Figure 3 – South-west NSW PACR weighted NPV with updated unit rates and revised capex timing



1.4 Managing the risk on Line 86 (Tamworth – Armidale)

Figure 4 presents the Line 86 RIT-T weighted NPV results with the updated unit rates compared to the weighted NPV results presented in the Line 86 PACR.

The updated unit rates do not change the ranking of the credible options from the PACR. Option 1C remains the preferred option.

Further, the ranking of the credible options in each reasonable scenario does not change relative to the PACR.

Figure 4 – Line 86 PACR weighted NPV with updated unit rates

