

OPTIONS EVALUATION REPORT (OER)



Manage Multiple Contingencies in North West NSW 330 kV Area

OER 000000001473 revision 4.0

Ellipse project no(s): North West 330kV Smart Grid Control
TRIM file: [TRIM No]

Project reason: Economic benefits
Project category: Prescribed - Augmentation

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Date submitted for approval	14 January 2022	

Change history

Revision	Date	Amendment
1.0	13 August 2021	Initial issue
2.0	8 November 2021	Minor update addressing external review comments
2.1	23 December 2021	Further update addressing external review comments
2.2	14 January 2022	Added commercial evaluation with failure rate sensitivity

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Executive summary

The National Electricity Rules (NER) clause S5.1.8 requires TransGrid to consider the effects of non-credible (e.g. multiple) contingencies which could potentially endanger the stability of the power system and give rise to cascading failures. In those cases where the consequences of such events are likely to be severe disruption, including market impacts and loss of supply to large load areas, there would be benefits in considering installation of emergency controls to minimise disruption and significantly reduce the probability of cascading failures.

TransGrid studies indicate that significant voltage and dynamic stability constraints may arise under the non-credible contingencies of the loss of the [REDACTED] [REDACTED] [REDACTED]

[REDACTED] Such failures can result in significant supply disruptions and unserved energy in North West and North Coast NSW subsystems. The extent of the supply disruptions can be reduced by installation of emergency control schemes to manage system response in the event of such multiple contingencies, giving rise to avoided unserved energy benefits. Therefore, there is an economic benefits need for TransGrid to implement a control system that addresses these non-credible contingencies that may result in cascading failures of the system.

Only one option is considered feasible to address the need/opportunity, due to the specific capability requirements for emergency control schemes. The option involves the implementation of a SCADA/protection based control scheme. The evaluation results for this option appears in Table 1 below.

Table 1 - Evaluated options

Option	Description	Direct capital cost (\$m)	Network and corporate overheads (\$m)	Total capital cost ¹ (\$m)	Weighted NPV (PV, \$m)	Rank
Option A	Introduce control scheme using a SCADA/Protection-based Hybrid Special Protection System (SPS)	2.53	0.75	3.28	5.49	1

Option A, being the preferred option, was selected because this is the only technically and economically feasible option and it is projected to deliver greater benefits in net present value terms than the base case.

Other potential options, including augmenting transmission lines and undergrounding the existing equipment to prevent impact from extreme weather conditions, were considered but not progressed due their significantly higher cost and lack of commensurate benefits for the additional cost.

¹ Total capital cost is the sum of the direct capital cost and network and corporate overheads. Total capital cost is used in this OER for all analysis.

1. Need/opportunity

The National Electricity Rules (NER) clause S5.1.8 requires TransGrid to consider the effects of non-credible (e.g. multiple) contingencies which could potentially endanger the stability of the power system and give rise to cascading failures. In those cases where the consequences of such events are likely to be severe disruption, including market impacts and loss of supply to large load areas, there would be benefits in considering installation of emergency controls to minimise disruption and significantly reduce the probability of cascading failures.

The need for this project is thus economic benefits, where avoided unserved energy benefits can be realised.

NSW experience of multiple contingency events

During drought conditions in 2001, widespread bushfires in NSW caused four of the six 330kV circuits south of Bayswater and Liddell power stations to trip repeatedly. The affected line pairs were 31 / 32 between Bayswater and Sydney, and 81 / 82 between Liddell and Newcastle.

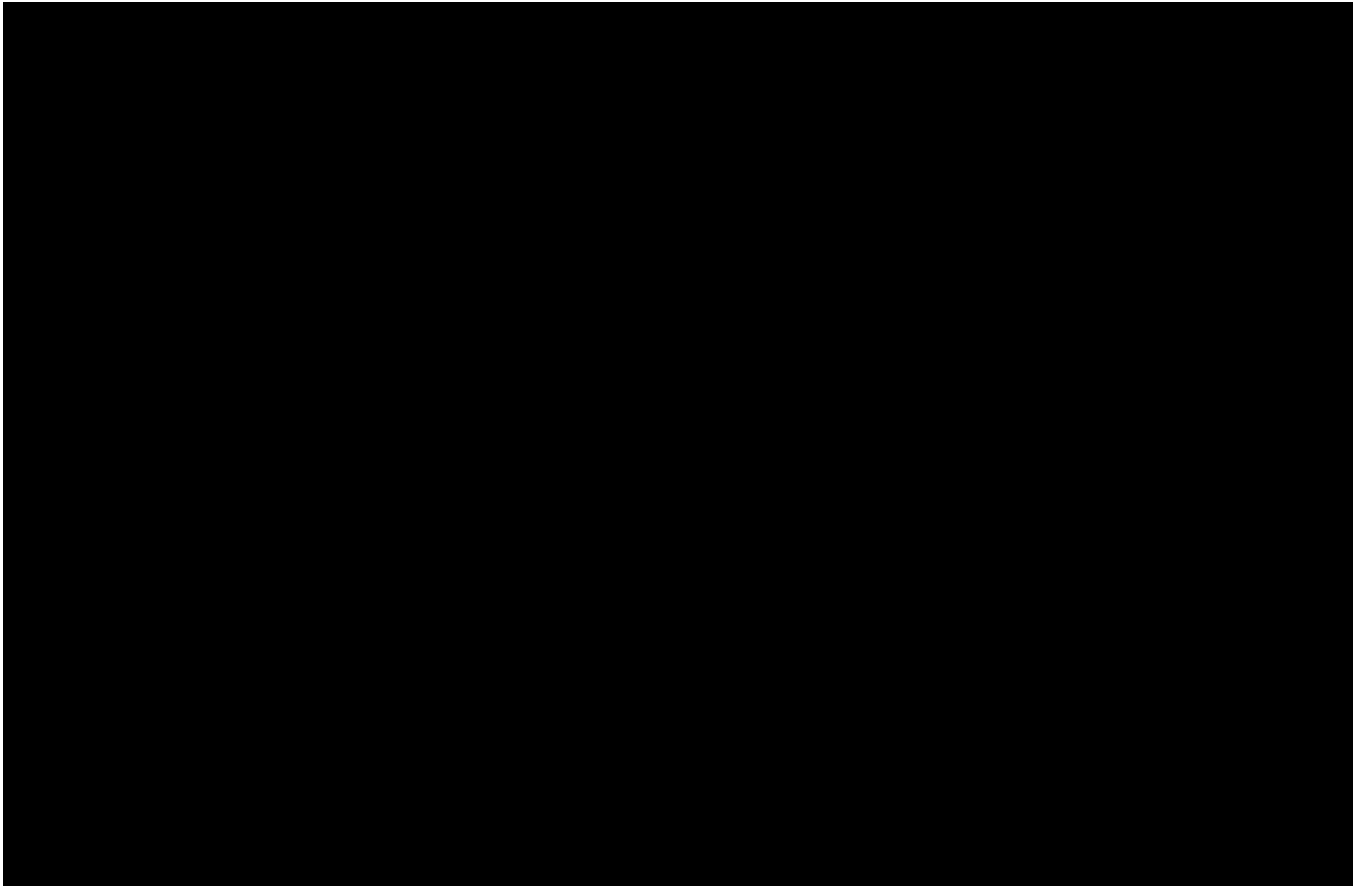
Under these conditions, the Network Controller switched the circuits back into service to the extent permitted by the fires, and just managed to avoid a system voltage collapse by restoring one circuit only 50 seconds before a second parallel circuit tripped.

Similarly, during bushfires in December 2002, various combinations of three, four and five concurrent line outages occurred in the network. The outages usually involved the line pairs 21 / 22 between the Central Coast and Sydney North, 25 / 26 between the Central Coast and Sydney West, 5A1 / 5A2 (500kV) between Eraring and Kemps Creek, and 76 / 78 between Wallerawang and Sydney South.

There was an observed increase in the number of unplanned transmission network outages in NSW during summer 2019-2020, mainly due to the impact of bushfires. These contingent events involved multiple transmission lines tripping around the Snowy area and a significant reduction in available generation, leading to a Lack of Reserve (LOR2) condition in NSW. These historical events indicate that multiple contingencies have a realistic probability of occurring.

TransGrid studies indicate that significant voltage and dynamic stability constraints may arise under the non-credible contingencies of the loss of the [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]. Refer to Figure 1 below for a network overview.

Figure 1: [REDACTED]



Such simultaneous failures to multiple transmission lines can result in significant supply disruptions in North West and North Coast NSW subsystems. The extent of the supply disruptions can be reduced by installation of emergency control schemes to manage system response in such events.

If TransGrid does not proceed with this project, there will be a potential impact on customers through reduced reliability and unexpected unserved energy in the event of this type of high-impact-low-probability event.

2. Related needs/opportunities

- > Need 1491 – Manage Multiple Contingencies in Sydney North West 330 kV Area
- > Need 1522 – Manage Multiple Contingencies in Sydney West 330 kV Area
- > Need N2412 – QNI Medium and Large

If QNI Medium or Large project proceeds, this scheme may need to be extended. The extension should be considered and scoped if needed as part of the QNI Medium or Large project.

3. Options

3.1 Base case

The base case under this need is to not facilitate the introduction of a control scheme using both SCADA and Protection systems. The primary risk of TransGrid not addressing this need is a cost of unsupplied demand/unserved energy to customers in the North West and North Coast area of NSW. This risk can increase with the increased demand, increased power transfer via the Queensland and NSW interconnector and the

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introduction of new renewable generators in Northern NSW in the future. The expected involuntary load shedding could reach a maximum of 1,000 MW. This is based on the expected power transfer levels in the Northern transmission cut-set at times of high summer demand. Simultaneous tripping of 2 or more lines in this cut-set can result in cascade tripping of remaining lines resulting in involuntary load shedding.

3.2 Options evaluated

Option A — Introduce control scheme using a SCADA/Protection-based Hybrid Special Protection System (SPS)

This option involves the implementation of a SCADA/Protection-based Hybrid SPS for the North West 330 kV area to prevent or minimise the effect of widespread interruptions and a partial or full system collapse in the event of critical non-credible multiple contingencies.

The scope of works includes:

- > Installing a new SCADA and protection system to monitor the status of [REDACTED] and open certain feeders in response to certain combination of tripping of the monitored feeders.
- > Undertaking necessary analysis to determine conditions for arming the scheme.
- > Making any necessary changes to secondary systems, including metering and control systems, at affected substations.
- > Ensuring that appropriate system data will be fed to the TransGrid SCADA system so that Control Room staff can use this information for network operations.
- > Undertaking necessary analysis to determine conditions for arming the scheme, determining load feeders and generation to be selected.

The implementation of the option can significantly reduce the local demand at risk, which can be calculated as follows:

The risk cost is calculated based on the outage combinations as below:

> [REDACTED]

The risk cost was calculated by considering the outage of multiple 330 kV lines within the Northern area cut-sets shown in Figure 1 causing a loss of maximum load of 1,000 MW.² To reflect that the load may not be at the peak in the areas affected at the time of the incident, a moderating factor is applied to the load. This load moderating factor is calculated based on the daily average demand compared to the maximum demand on a peak demand day. Based on recent historical high demand days,³ the average demand is calculated to be about 0.7 times the maximum demand. Hence, a load moderating factor of 0.7 is used.

The load restoration time is estimated to be 4 hours.⁴ During works to restore the load, it is expected that demand will decrease over time. As such, a restoration factor of 0.5 is used.

The probability of such an incident occurring is deemed to be based on the combinations of the events in which two elements of the cut-set are lost simultaneously. That is, the system collapse incident is deemed to happen whenever any two of the lines in the cut-set are tripped coincidentally. Thus, the transmission line failure rates in

² This event may occur during severe bushfires, and it is expected that the total NSW load will be at maximum demand, resulting in 1,000 MW load lost due to the combination of multiple 330 kV line outages. This 1,000 MW load at risk is based on conditions in FY2021 and is expected to increase based on the load forecast in TransGrid's 2021 TAPR.

³ 31st January 2019 is an example.

⁴ Restoration time is based on TransGrid Control Room historical experience, experience with black start training simulations, and OM666 Black Start. During black start training simulations, a multi-machine simulation environment using PowerWorld Trainer is used with participation of operating staff from AEMO, TransGrid, NSW Distribution Network Service Providers and major generator operators. The 4 hour duration is estimated based on the load restorations observed during these black start simulations taking into account the magnitude of the interrupted load.

the Electricity Transmission Reliability Standards⁵ are used to calculate the probability. In this case, the overall failure probability is estimated to be 1.279%. Refer to Appendix B for details of this estimate.

In addition, it is possible that multiple line contingencies between [REDACTED] would not result in a cascading failure if the MW flow across these cut-sets is not high enough. A moderating factor is introduced to reflect this by using the percentage of time where these cut-set flows is expected to exceed about 800 MW.⁶ Based on recent historical high demand days,⁷ and possible increase in flows on these lines following the retirement of Liddell Power Station, QNI minor upgrade transmission project, and increased renewable generation in northern NSW areas, this cut-set flow moderating factor is calculated as 0.80.

Unserviced Energy Risk Cost

Unserviced energy is calculated as:

Unserviced Energy

$$= (\text{Load Moderating Factor} * \text{Maximum MW at risk}) * (\text{Load Restoration Factor} * \text{failure duration}) * (\text{Overall failure rate} * \text{Cutset Flow Moderating Factor})$$

$$\text{Unserviced Energy} = (0.7 * 1,000 \text{ MW}) * (0.5 * 4 \text{ hrs}) * (1.279\% * 0.8)$$

$$\text{Unserviced Energy} = 14.32 \text{ MWh per year}^8$$

The risk cost of unserved energy is thus calculated as follows:

$$\text{Risk Cost of Unserviced Energy} = \text{Unserviced Energy} * \text{VCR}^9$$

The expected commissioning date for this option is in 2025-26.

The expected expenditure profile for this option was estimated using the MTWO Estimating System. The estimates in the table below have an uncertainty of ± 25% and exclude capitalised interest.

Table 2 – Option A expected expenditure

	Total Project Cost	FY2023/24	FY2024/25	FY2025/26
Estimated P50 Cost non-escalated (\$m 2020-21)	3.28	0.23	1.27	1.78

It is estimated that an amount up to \$300,000 (included in Table 2, above) is required to progress the project from DG1 to DG2. This is to cover activities such as site visits, development of concept design, and commencement of project approvals.

This project is expected to be completed in an estimated 32 months following the approval of DG1.

⁵ Electricity Transmission Reliability Standards, IPART, December 2015, https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/electricity_transmission_reliability_standards_-_december_2015.pdf.

⁶ If the [REDACTED] cut-set flows are greater than 800 MW, trip of any two lines can result in under-frequency load shedding in NSW and widespread interruptions in NSW North West and North Coast subsystems.

⁷ 31st January 2019 is an example.

⁸ This calculation of unserved energy is based on conditions in FY2021 and expected to increase based on the load forecast in TransGrid's 2021 TAPR. This increase is captured in the commercial evaluation section.

⁹ The Value of Customer Reliability (VCR) is based on figures published by AER in its Value of Customer Reliability - Final Report on VCR Values December 2019, with annual adjustment published on 18 December 2020. In this case, a figure of \$43,032/MWh (escalated at the assumed inflation rate, 2.16%) in NSW for the central scenario (100%) in the commercial evaluation section is used.

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3.3 Options considered and not progressed

Introducing SCADA and Protection systems is the only feasible option to acquire capabilities provided by SCADA and Protection systems. Consequently, Option A is the only technically and economically feasible option to address the identified need.

Other potential options, including adding more transmission lines via separate routes (this will require building at least one new transmission line from Arimdale to Tamworth and Tamworth to Liddell via separate routes, for a length of about 245 km) or undergrounding the existing equipment (this will require undergrounding at least one transmission line from Arimdale to Tamworth and Tamworth to Liddell, for a length of about 245 km) to prevent impact from extreme weather conditions, were considered but not progressed due to their significantly higher cost and lack of commensurate benefits for the additional cost.

4. Evaluation

4.1 Commercial evaluation methodology

The economic assessment undertaken for this project includes three scenarios that reflect a central set of assumptions based on current information that is most likely to eventuate (central scenario), a set of assumptions that give rise to a lower bound for net benefits (lower bound scenario), and a set of assumptions that give rise to an upper bound on benefits (higher bound scenario).

Assumptions for each scenario are set out in the table below.

Table 3 – Scenario Based Sensitivities

Parameter	Central scenario	Lower bound scenario	Higher bound scenario
Discount rate	4.8%	7.37%	2.23%
Demand Growth	Medium (POE50)	Low (POE90)	High (POE10)
Capital cost	100%	125%	75%
Operating expenditure	100%	125%	75%
VCR	100%	70%	130%
Scenario weighting	50%	25%	25%

Since the central scenario represents the most likely scenario to occur, we have weighted it at 50 per cent. The other two scenarios reflect extreme combinations of assumptions designed to stress test the results. Accordingly, these scenarios are weighted at 25 per cent each.

The parameters used in this commercial evaluation are in **Error! Reference source not found.** below.

Table 4 – Parameters used in commercial evaluation

Parameter	Parameter Description	Value used for this evaluation
Discount year	Year that dollar values are discounted to	FY2020/21
Base year	The year that dollar value outputs are expressed in real terms	FY2020/21 dollars
Period of analysis	Number of years included in economic analysis	25 years

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Parameter	Parameter Description	Value used for this evaluation
	with remaining capital value included as terminal value at the end of the analysis period.	
VCR	Value of customer reliability	AER Latest VCR (escalated), ¹⁰ \$43,032/MWh

The capex figures in this OER do not include any real cost escalation.

4.2 Commercial evaluation results

The commercial evaluation of the technically and commercially feasible options is set out in Table 5. Details appear in Appendix A.

Table 5 – Commercial evaluation (PV, \$ million)

Option	Capital Cost PV	OPEX Cost PV	Central scenario NPV	Lower bound scenario NPV	Higher bound scenario NPV	Weighted NPV	Ranking
Option A	2.66	0.69	5.06	1.31	10.52	5.49	1

Considering that the overall failure rate is dependent on the TransGrid Asset Management Bushfire impact probability calculation, the above NPV calculation is repeated with an Overall Failure rate assumed as half of the 1.279% calculated in Appendix B.3 (i.e. 0.639%). The resulting Commercial evaluation results in a Weighted NPV of \$1.36 million indicating that this project is economical even if the failure rate is lower (refer Appendix B.4 for commercial evaluation details).

4.3 Preferred option

The preferred option is Option A. This option would see the introduction of control scheme using both SCADA and Protection systems.

The preferred option was selected because this is the only technically and commercially feasible option that meets the economic benefits need that results in higher benefits in NPV terms compared to the base case.

Capital and Operating Expenditure

The preferred option requires capital expenditure of \$3.28 million and additional operating expenditure of \$65,600 per year.

Regulatory Investment Test

As the estimated cost of the project is below the Regulatory Investment Test (RIT-T) threshold of \$6 million, a RIT-T will not be required.

¹⁰ The Value of Customer Reliability (VCR) is based on figures published by AER in its Value of Customer Reliability - Final Report on VCR Values December 2019, with annual adjustment published on 18 December 2020. In this case figure of \$43,032/MWh (escalated at assumed inflation rate, 2.16%) in NSW.

5. Optimal Timing

The test for optimal timing of the preferred option has been undertaken. The approach taken is to identify the optimal commissioning year for the preferred option where net benefits (including avoided costs and safety disproportionality tests) of the preferred option exceeds the annualised costs of the option. The commencement year is determined based on the required project disbursement to meet the commissioning year based on the OFS.

The results of optimal timing analysis is:

- > Optimal commissioning year: 2025/26¹¹
- > Commissioning year annual benefit: \$0.66 million
- > Annualised cost: \$0.19 million

Based on the optimal timing assessment, the project is expected to be completed in the 2023-2028 Regulatory Period.

6. Recommendation

The recommendation is to progress with Option A.

Based on the details listed in Section 3, this option will incur a capital cost of approximately \$3.28 million in P50 non-escalated 2020/21 dollars. It is estimated that an amount up to \$300,000 is required to progress the project from DG1 to DG2, which is included in the capex estimate. Optimal commissioning year of 2025/26 is recommended.

¹¹ This is the earliest date that project can be completed based on OFS 1473A

Appendix A – Option Summaries

Project Description	Manage Multiple Contingencies in North West NSW 330 kV Area		
Option Description	Option A — Introduce control scheme using both SCADA and Protection systems		
Project Summary			
Option Rank	1	Investment Assessment Period	25
Asset Life	40	NPV Year	2021
Economic Evaluation			
NPV @ Central Benefit Scenario (PV, \$m)	5.06	Annualised CAPEX (\$m)	0.19
NPV @ Lower Bound Scenario (PV, \$m)	1.33	Network Safety Risk Reduction (PV, \$m)	9.18
NPV @ Higher Bound Scenario (PV, \$m)	10.52	ALARP	n/a
NPV Weighted (PV, \$m)	5.49	Optimal Timing	2025/26
Cost			
Direct Capex (\$m)	2.53	Network and Corporate Overheads (\$m)	0.75
Total Capex (\$m)	3.28	Cost Capex (PV, \$m)	2.66
Terminal Value (\$m)	1.64	Terminal Value (PV, \$m)	0.53

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Appendix B – Overall Failure Probability Calculation Method

As aforementioned, the probability of an overall failure event is deemed to be based on the combinations of the events in which two elements of the cut-set are lost simultaneously. That is, the overall failure event is deemed to happen whenever any of the two lines in the cut-set are tripped coincidentally. Then the probability of any two lines being tripped in the cut-set can be further combined to get the total overall failure probability.

This Appendix provides the estimation method of the probability for the tripping of any two lines.

B.1 General two-line tripping event

Assume Line A and Line B are the two lines to trip. It is known that:

- F_A and F_B stand for the transmission line failure rates per year¹²;
- X stands for the exact hour when Line A trips, Y stands for the exact hour when Line B trips. X , Y are considered within one-year duration (0 – 8760 Hours);
- T stands for the restoration time after the tripping for Line A and Line B¹³;
- The tripping of Line A and Line B are absolutely independent.

Without loss of generality, it can be concluded that (X, Y) , as **two-dimensional continuous random variables**, follow a two-dimensional uniform distribution. The **probability density function (pdf)** of the (X, Y) is thus:

$$f(X, Y) = \begin{cases} \frac{F_A}{8760} \times \frac{F_B}{8760}, & \text{for } 0 < x < 8760, 0 < y < 8760 \\ 0, & \text{for other } x \text{ and } y \end{cases}$$

It is equivalent to describe the event where Line A and Line B DO NOT trip together as:

- X is at least T earlier than Y ; or
- Y is at least T earlier than X .

Then, the event where Line A and Line B trip together can be represented as:

$$\begin{cases} X - Y \leq T \\ Y - X \leq T \end{cases} \text{ or } |X - Y| \leq T$$

Therefore, the probability of Line A and Line B to trip simultaneously in B.1 is:

$$P(\text{B.1})\{ |X - Y| \leq T \} = \iint f(X, Y) dx dy = \frac{F_A}{8760} \times \frac{F_B}{8760} \times \iint dx dy$$

B.2 Two-line tripping event lead by intense bushfire events for close transmission line structures

It is also assumed, apart from the general situations in B.1, that in intense bushfire events, there is a certain proportion of the impacted transmission lines that are deemed to be so close to each other (within less than 1 km)

¹² Converted from the 330kV Transmission line failure rates per decade of 2.4 per 100km as in Electricity Transmission Reliability Standards, IPART, December 2015, https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/electricity_transmission_reliability_standards_-_december_2015.pdf.

¹³ 330kV transmission line Restoration mean time of 17.8 hours post failure as in Electricity Transmission Reliability Standards, IPART, December 2015, https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/electricity_transmission_reliability_standards_-_december_2015.pdf

in the same cut-set that the tripping of two lines at the same time is possible. In this certain situation, the overall failure rate is calculated based on the minimum of the probabilities of the two lines to trip due to bushfire impact.

Assume Line A and Line B are the two lines to trip. F_A and F_B stand for the probabilities for transmission line A and B to trip due to the impact of bushfire events per year¹⁴;

Therefore, the probability of Line A and Line B to trip simultaneously in B.2 is:

$$P(B.2) = \text{Minimum}(F_A, F_B)$$

Depending on the geographical information for target transmission lines, the proportion in B.1 and B.2 are estimated as: proportion (B.1) and proportion (B.2)¹⁵.

Therefore, the overall failure rate is:

$$P(\text{Overall}) = \text{Proportion}(B.1) * P(B.1) + \text{Proportion}(B.2) * P(B.2)$$

B.3 Overall failure rate calculation for this project:

Line No.	Proportion (B.1)	P(B.1)	Proportion(B.2)	P(B.2)
█	95.0%	0.005767%	5.0%	0.9341%
█	95.0%	0.04140%	5.0%	6.436%
█	95.0%	0.02689%	5.0%	16.80%
Total	0.07035%		1.209%	

The overall failure rate is therefore calculated as:

$$P(\text{Overall}) = 0.07035\% + 1.209\% = 1.279\%$$

B.4 Commercial evaluation sensitivity to failure rate:

Considering that the above overall failure rate is dependent on the TransGrid Asset Management Bushfire impact probability calculation, the NPV calculation presented in Section 4.2 is repeated with an Overall Failure rate assumed as 0.639% (i.e. half of 1.279%). The resulting Commercial evaluation results are as given below.

Commercial evaluation sensitivity (PV, \$ million)

Option	Capital Cost PV	OPEX Cost PV	Central scenario NPV	Lower bound scenario NPV	Higher bound scenario NPV	Weighted NPV	Ranking
Option A	2.66	0.69	1.12	-0.97	4.15	1.36	1

¹⁴ From TransGrid Asset Management Bushfire impact probability calculation.

¹⁵ In this project, it is estimated that proportion (B.1) = 95% and proportion (B.2) = 5%.