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Submission to CPA: Reinforcing the NSW Southern Shared Network RIT-T

HumeLink is the largest transmission project in the history of NSW, and consumers will need to pay for the asset over many decades. The landowners who will host the lines will have their farms permanently altered and opportunities for future development or emerging land uses removed. It is critical that the merits and costs of the project are tested in a rigorous and transparent way, to ensure that there is a clear return on consumers investment, and to obtain community support for the changes required to transition to a low emissions future.

In this context, Wunelli Pty Ltd raised a dispute on 16 August 2021 under rule 5.16B of the National Electricity Rules (NER), on the grounds that the PACR failed to consider all credible options to address the network need and had not sufficiently consulted stakeholders. The AER found that TransGrid did not consider all credible options, in particular the double circuit version of the 1C topography, but that they had met their obligations in respect of consultation.

TransGrid was directed to submit an amendment, but no public review or approval of this document and supporting information has been published by the AER. Neither has stakeholder submissions been sought on the content of the addendum. For these reasons, and as explained below, our view is that some issues raised in the dispute have not been resolved.

Our comments are in four areas.

Consultation

Our view is that in deciding that the proponent as met the minimum consultation requirements under the NER, the AER has taken only a cursory consideration of their and the proponent's roles to ensure stakeholders are adequately consulted.

There are several aspects where the consultation for the HumeLink RIT-T and by extension this CPA were seriously lacking:

(1) There was no inclusion of competition benefits and associated assumptions until the PACR, when the opportunity for stakeholder input is limited to the narrow grounds of the dispute process. In the separate but related ISP process, after publication of the PACR, AEMO found it necessary to consult stakeholders on the inclusion of competition benefits in the ISP, due to the significant uncertainties and importance of the underlying assumptions. AEMO acknowledges in the resulting report consensus stakeholder feedback that competition benefits are inappropriate to consider in the ISP.[1] Regrettably, during the RIT-T process, stakeholders were not given a similar opportunity to provide feedback specific to HumeLink.

[1] Competition benefits in the Integrated System Plan – Consultation Summary Report December 2021, p. 9

(2) The costs of the options proposed during the HumeLink were materially underestimated during the phases of the RIT-T where submissions were invited (HumeLink PSCR, PADR). In splitting out biodiversity offsets costs for each option, the proponent seems to be seeking to attribute this to biodiversity offset costs[2], but the NSW offset scheme was established in 2016, hardly a new development and well before the PADR publication. Irrespective of the reasons for underestimating the project cost by at least a factor of two; consumer and industry groups did not have the opportunity to make submissions on iterations of the HumeLink project which cost similar amounts to the current project, and the cost clearly fundamentally changes the value proposition.

(3) While we have actively lobbied for double circuit solutions and view this as a positive development, the proponent specifically excluded this construction early in the RIT-T (PSCR) with the result of excluding stakeholder feedback on different iterations of double circuit options. In particular, the lower cost of the 1C-double circuit option, and the possibility of staging construction by building two of the three substations and associated lines initially with the balance if or when the consumer return becomes clearer. i.e. build 1C-new initially and proceed with 3C later.

Consideration of credible options

While Wunelli welcomes the inclusion of the 1C-new double circuit configuration as an important step to improve transparency and support community acceptance, the addendum and the CPA fall short in several areas:

(1) Insufficient information to support the credibility of the cost estimates and the proposal to proceed with the 3C option.

(2) Inclusion of competition benefits without consultation or transparency on the underlying assumptions has directly resulted in the exclusion of valid alternatives such as 1C-new

(3) No consideration of construction staging opportunities brought about by double-circuit construction and the separation of early-works with a decision gate in 2024

Opportunities for improvement

We see two areas to improve the present situation to reduce the uncertainty which surrounds the cost and benefits of the proposed project:

(1) Broaden the feedback loop and staging decision to include consideration of 1C-new along with 3C when the costs become clearer. This would be a low-regret option since the work to cost 1C-new would be already complete in 2024 when the decision to proceed with HumeLink will

[2] Reinforcing the NSW Southern Shared Network to increase transfer capacity to demand centres (HumeLink) Project Assessment Conclusions Report [29 July 2021]

be made. It would also be consistent with the AEMO objectives of continual improvement value.[3]

(2) Open consultation on the inclusion of competition benefits in the decision to proceed with HumeLink. The regulatory mechanism to do this is unclear to us, but it is another low regret option to improve the certainty of the modelled benefits since it would be completed well before 2024 when the decision to proceed beyond the early works is planned. Presently there is an imbalance in the sense that the opportunity and necessity to better define the costs has been identified, but not the benefits which supported the RIT-T application.

Social licence

A separate issue which relates to the CPA is social licence. Various parties talk about social licence but usually miss the key injustice which is the root cause of much landowner objection: current compensation arrangements offer 10 – 20% of the value of the leases offered by wind farms, despite the transmission assets having a similar or often worse impact and a longer lifespan. Please refer to the attached slides for more detail.

Until this disparity is reduced, transmission developers can expect continued objection and delays through the various regulatory processes required to progress. The cost of easements for lines is only 2.75% of the total HumeLink budget.[4] Consumer groups, regulators, governments, and proponents should view solving this an opportunity to mitigate potential delays and suboptimal routes (from length, network resilience or cost perspectives), the cost of which can easily overwhelm any savings by keeping land acquisition costs down.

I hope this submission is found to be constructive. Thank you for the opportunity to participate in the regulatory process.

Regards

Lee Kingma

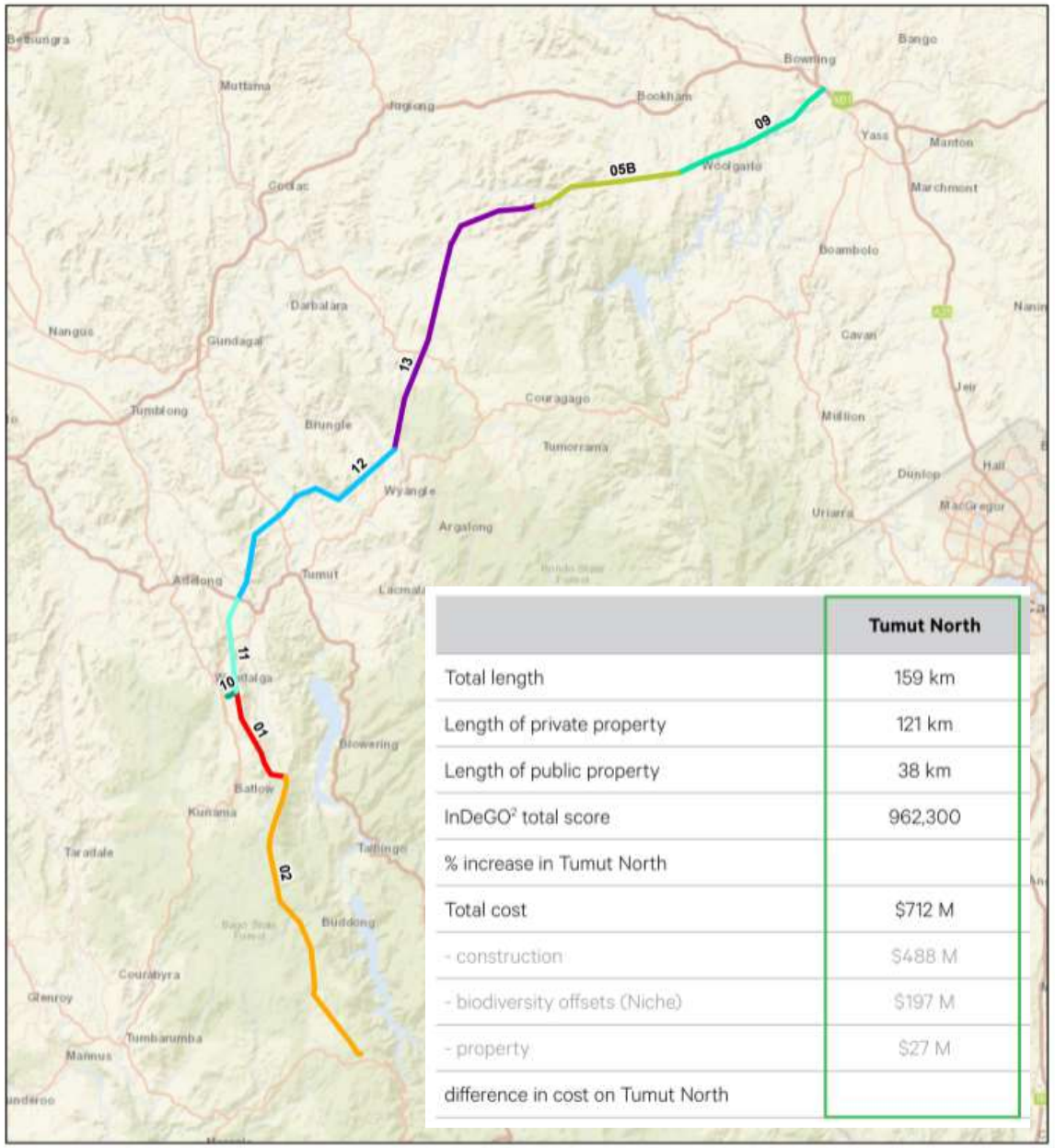
Director

[3] AEMO comments that further work to drive down project costs should be urgently undertaken as part of early works. AEMO, Draft 2022 ISP, December 2021, p. 12.

[4] Reinforcing the NSW Southern Shared Network to increase transfer capacity to demand centres (HumeLink) Project Assessment Conclusions Report [29 July 2021] p 58: Land cost for lines is 5% of 55% of total cost $3,317

Compensation assumptions: HumeLink

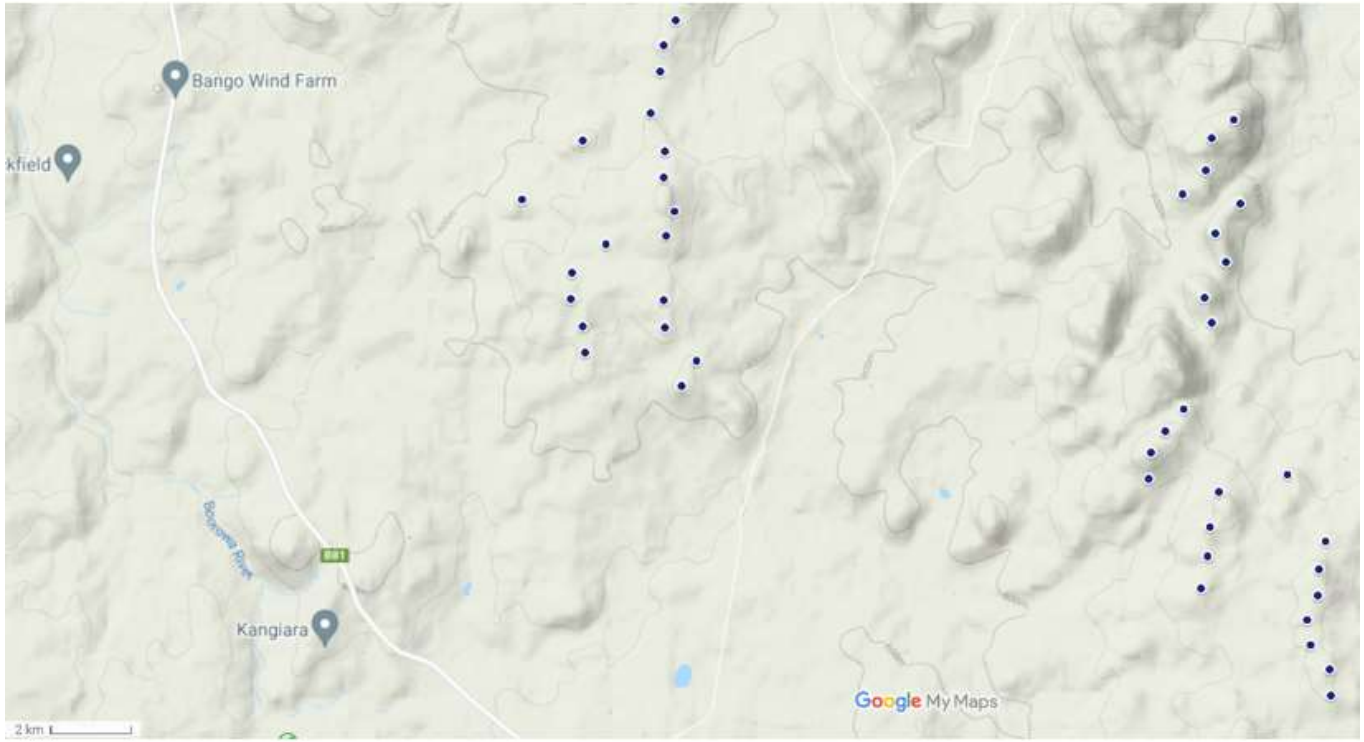
- Maragle-Yass used for comparison
- Public land (forestry) acquisition cost is 2 x private grazing land
- 2.5 towers per lineal km
- 302 towers on private land
- $16.6m comp. on private land
- $55k per tower
- One off payment, i.e. compensation = NPV
- Source: HumeLink Route Options Assessment, Final Report, GHD, March 23, 2022



	Tumut North
Total length	159 km
Length of private property	121 km
Length of public property	38 km
InDeGO² total score	962,300
% increase in Tumut North	
Total cost	$712 M
- construction	$488 M
- biodiversity offsets (Niche)	$197 M
- property	$27 M
difference in cost on Tumut North	

Compensation assumptions: Bango Windfarm

- 46 turbines
- $30k / turbine p.a. (6MW)
- $100k neighbour comp p.a.
- $130k community fund p.a.
- 5% discount rate
- No CPI increases (info N/A)
- 25 year lease
- NPV of compensation per turbine $528k



Comparison: turbines and transmission

Issue	Windfarm	Transmission
Landowner influence over siting	Absolute: right of refusal	Minimal
Visual impact	Very high, although studies show rated more positively by viewers than trans.	Very high, more negative viewer responses. Less visible from longer distances
Noise	Higher than transmission	Present but lower than turbines
Operations and maintenance	More regular maintenance inspections and intervention	Less frequent
Impact on aviation	More likely to be located on ridges away from productive areas	More likely to be located on arable / grazing country
Construction impacts	Isolated clearing, modern turbines can be co-located with forestry	Continuous clearing
Compensation PV	**$528k per turbine + new lease or land recovery**	**$55k per tower $137k per km**
Lifespan	Removal or new lease after 25 years	50 + years, operator has right to rebuild, modify or increase capacity with no further compensation

Turbines NPV calculation

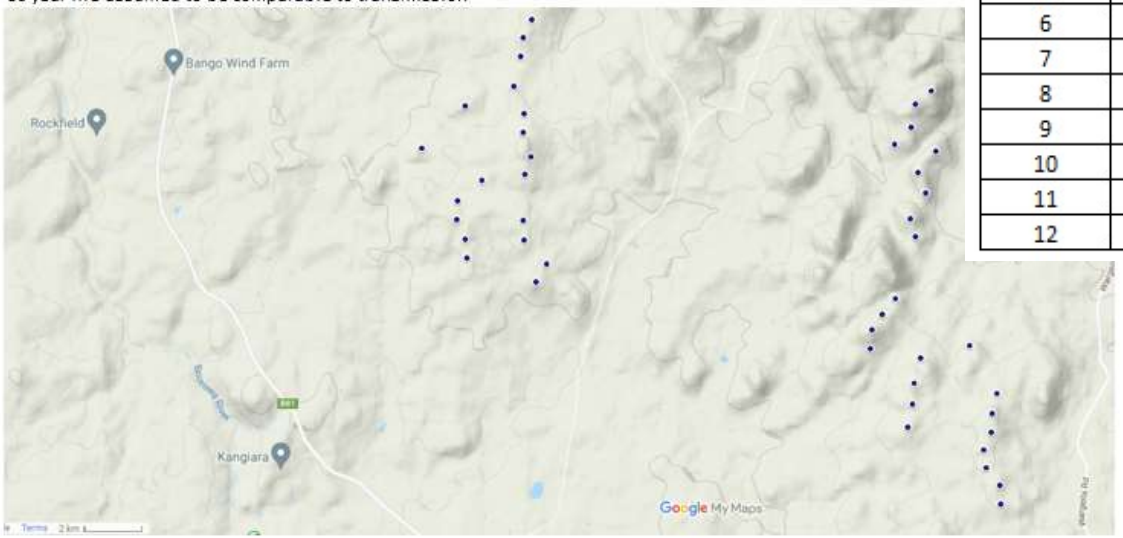
Bango Windfarm		
Capital cost	500000	k$
Annual compensation	1600	k$pa
PVcomp/project	4.9%	
CPI increase for compensation	0.00%	
Discount value	5%	
Pvcomp (total)	24301	k$
Capital cost of project	500000	k$
Pvcomp/capital	5%	
Number of towers	46	
PVComp/turbine	**528**	**k$**

Notes:

Annual compensation = 46 turbines x $30k + $100k neighbors payments + $130k community fund = $1.6m p.a.

Figures provided by wind energy industry participants

50 year life assumed to be comparable to transmission



Year n	Year	Comp p.a. (k$)	PV
0	2024	1610	1610
1	2025	1610	1533
2	2026	1610	1460
3	2027	1610	1391
4	2028	1610	1325
5	2029	1610	1261
6	2030	1610	1201
7	2031	1610	1144
8	2032	1610	1090
9	2033	1610	1038
10	2034	1610	988
11	2035	1610	941
12	2036	1610	897

Year n	Year	Comp p.a. (k$)	PV
13	2037	1610	854
14	2038	1610	813
15	2039	1610	774
16	2040	1610	738
17	2041	1610	702
18	2042	1610	669
19	2043	1610	637
20	2044	1610	607
21	2045	1610	578
22	2046	1610	550
23	2047	1610	524
24	2048	1610	499
25	2049	1610	475