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Our Ref: REF47337

11 January 2024

Ms Vicki Johnson
Vice-Chair
Moorabool and Central Highlands Power Alliance Inc

Sent by email to: vj1009@hotmail.com

Dear Ms Johnson

Re: Compliance issues – VNI West Actionable ISP Project RIT-T and 2022 ISP

Thank you for your letter to the AER dated 26 June 2023 (26 June letter), raising concerns about the Australian Energy Market Operator's (AEMO) Victoria Planning (AVP) and Transgrid's compliance with the National Electricity Rules (NER). Specifically, your letter raises concerns about AEMO's 2022 Integrated System Plan and AVP and Transgrid's Regulatory Investment Test for Transmission (RIT-T) for the Victoria to New South Wales Interconnector West (VNI West).

The AER is responsible for monitoring compliance and enforcement of the NER and for developing and maintaining guidelines for the application of the RIT-T. The AER also has a specific dispute resolution role in disputes raised by interested parties on the application of RIT-Ts.

The compliance issues raised in paragraphs numbered 1-5 (inclusive) in your 26 June letter are the same as grounds 1-5 (inclusive) in your dispute notice and were addressed as part of our VNI West dispute resolution process with detailed reasoning provided in our VNI West RIT-T dispute determination.¹

We have carefully considered the compliance issues raised in paragraphs 6-9 (inclusive) in your 26 June letter and provided our response in **Attachment A**. We are satisfied that AEMO and Transgrid are compliant with their obligations in the NER.

If you have any further queries, please contact Jesse Price, Director, Stakeholder Engagement, at jesse.price@aer.gov.au.

Yours sincerely



Arek Gulbenkoglou
A/g EGM Consumer, Policy and Markets

¹ AER, Dispute determination- VNI West RIT-T, 18 October 2023

Attachment A: AER's response to compliance issues 6 to 9

Our response to the compliance issues in your 26 June letter is set out below. For ease of reference, we have numbered each issue from 6 to 9, respectively.

6. The VNI West preferred option does not align with the latest ISP and AEMO's obligations related to ISP Update process under clauses 5.22.15(b) and 5.22.15(c) of the NER

Under these clauses, there is an obligation on AEMO to consider whether new information relating to the contents of an ISP may materially change the outcome for an actionable ISP project prior to the publication of the next ISP, and if so, assess the impact on the optimal development path (ODP). AEMO is further required to consult on any ISP Update or material change to an actionable project.

AEMO recently published an ISP Update, in the form of the draft 2024 ISP, that includes the preferred option in the VNI West Project Assessment Conclusions Report as an actionable project in the ODP.² In regard to the ISP Update, AEMO states that it has completed significant consultation on the draft 2024 ISP. This document is subject to public consultation. This satisfies us that there is no compliance issue in respect of this issue.

7. AEMO's compliance with obligations under clauses 5.14.4(a) and 5.14.4(b) of the NER

We consider that the obligation on a TNSP to update information relates, in this context, to information exchanged between TNSPs and AEMO as an input to a draft or final ISP or ISP update. That is, it is not an obligation to update the draft or final ISP or ISP Update where there has been a material change to information that has been exchanged. We consider there is no compliance issue in this regard.

8. AEMO's ability to satisfy contingent project trigger event for VNI West PACR

The contingent project process under clause 6A.8 of the NER (including our determination that a trigger event has occurred under clause 5.16A.5) is not applicable to AVP. This is because the cost recovery mechanisms for contestable augmentations in Victoria are distinct from the jurisdictions elsewhere in the National Electricity Market. In Victoria cost recovery for contestable network augmentations is governed by Part H of Chapter 8 of the NER. Further, that there are no "trigger events" associated with the contestable procurement process for contestable network augmentations in Victoria.

The trigger event is relevant for any contingent project application from Transgrid in respect of its leg of VNI West. We will give consideration to the trigger event criteria in that context.

9. The feedback loop process for VNI West project

The feedback loop is part of the cost recovery process under the NER. However, it does not apply to Victorian projects as a result of the different rules for that region summarised above. As VNI West is a joint project between AVP and Transgrid, the feedback loop and contingent project processes relate only to the NSW section of the VNI West project. We do not consider there is a compliance issue in this regard.

Further, we observe that the feedback loop process under 5.16A.5(b) of the NER, and the ISP Update process under clause 5.22.15³ of the NER are separate and distinct to the application of the RIT-T. We do not consider a compliance issue arises here.

² <https://aemo.com.au/-/media/files/major-publications/isp/2022/update-to-the-2022-integrated-system-plan.pdf?la=en>

³ NER, cl 5.22.15 relates to AEMO's obligations in relation to ISP Updates.