

Our Ref: #31865031

Contact Officer: [REDACTED]

Contact Phone: [REDACTED]

Mr Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator

By email: [REDACTED]

[REDACTED]

[REDACTED]

Dear Mr Westerman

Re: Request for advice on system security and reliability in relation to Project Energy Connect

I am writing to you seeking advice on the implications of 'Project EnergyConnect' (PEC) on system security and reliability in New South Wales and South Australia. AEMO plays a significant role in maintaining power system security in the National Electricity Market.

As you may be aware, we have received an application from Transgrid to reopen its 2023–28 revenue determination to amend its capital expenditure allowance to recover an increase in the estimated costs of PEC. A key consideration is the impact of this event on reliability and security.

Specifically, we would like to understand AEMO's view on:

1. What are the expected adverse consequences on the reliability and security of the transmission system in New South Wales and/or South Australia if PEC is materially delayed or not built?

We note that in the lead up to the 'Contract Failure' event and after, Transgrid may have engaged with AEMO. As AEMO and Transgrid learned more about the delays in PEC and any consequent risks to the transmission system, AEMO may have identified emerging alternative solutions to those risks. To help understand how any risks and responses to those risks have evolved over time, we are seeking your advice on the following specific matters:

2. Did Transgrid notify AEMO that the completion of PEC would be delayed and the period of the likely delay? If so, when did Transgrid notify AEMO?
3. In response to notification(s) from Transgrid, did AEMO advise Transgrid of means other than PEC that could address any system security and reliability risks? If so, when did AEMO advise Transgrid and the market? What were these risks?

In its role in managing the transition, AEMO has continued to explore ways to manage system security. We recognise that AEMO requires synchronous generation to be online in South Australia for system security purposes and AEMO has been working towards the possibility of this requirement to be relaxed.

4. Can AEMO provide a timeline of progress towards alternative means of managing these system security requirements?

In responding to this letter, please refer to published information where relevant. To promote transparency regarding our assessment of Transgrid's application, we propose to publish AEMO's response on our website.

We seek this advice by **COB 3 June 2026** given the timeframes for our assessment set out in the rules. However, should this timeframe not be suitable to AEMO, please propose an alternative timing for any response.

Please contact [REDACTED] Kami Kaur, Executive General Manager, Networks, [REDACTED], if you wish to clarify aspects of the advice requested.

Yours sincerely

[REDACTED]

Clare Savage
Chair
Australian Energy Regulator

Sent by email on: 19.05.2026