

Waratah Super Battery Project Revenue Proposal – Summary

Contestable – System Integrity Protection Scheme (SIPS) Service

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Executive summary

This proposal requests the Australian Energy Regulator (AER) to remake the *December 2022 Revenue Determination (Contestable) – Transgrid – Waratah Super Battery (WSB) (System Integrity Protection Scheme (SIPS) Service component)* (the 2022 SIPS Determination) under section 40(2) of the *Electricity Infrastructure Investment Act 2020 (NSW)* (EII Act).

Background

The WSB Project was declared a Priority Network Infrastructure Project (PNIP) under the EII Act in August 2022. Transgrid was appointed as the Network Operator for the WSB Project and, in accordance with the Ministerial Order, entered into the SIPS Service Agreement with Akaysha Energy following a competitive assessment process undertaken by the Energy Corporation of NSW (EnergyCo).

In December 2022, the AER made the 2022 SIPS Determination, establishing the total Amounts Payable and payment schedule for the SIPS Service, together with the adjustment mechanisms. Since the 2022 SIPS Determination was made, the AER has approved three adjustments relating to foreign exchange movements and delays in achieving Commercial Operation.

Purpose of the proposal

This proposal seeks to remake the 2022 SIPS Determination to give effect to agreed modifications to the SIPS Service Agreement. Transgrid considers that a remake of the 2022 SIPS Determination is the appropriate regulatory pathway, having regard to AER advice that the nature of the modifications, particularly the changes to the operation of the SIPS Service, would result in the existing 2022 SIPS Determination no longer fully reflecting the contractual arrangements. While both the SIPS Service Agreement and the 2022 SIPS Determination include contractual and regulatory mechanisms to vary Service Charges following an agreed modification, those mechanisms do not enable the 2022 SIPS Determination itself to be amended to fully reflect the modified service arrangements. Accordingly, remaking the determination will ensure it accurately reflects the Modified SIPS Service Agreement and the service for which Amounts Payable are determined.

Additional value for NSW electricity customers could be achieved by enabling Akaysha Energy to operate the WSB on a merchant basis during periods where SIPS Service is not required. This can be done without compromising the delivery of the system reliability services. To enable these benefits, modifications have been made to the SIPS Service Agreement (Modified SIPS Service Agreement).

Modified SIPS Service Agreement

Under the Modified SIPS Service Agreement, Akaysha Energy, as the SIPS Service Provider, may be directed to provide the Alternative Service, requiring it to operate the WSB on a merchant basis. This releases Akaysha Energy from the obligation to reserve WSB capacity for the provision of the SIPS Service and utilise this capacity to trade in energy markets.

While operating the Alternative Service, Akaysha Energy can be required to provide SIPS Service via the issuance of a Reservation Notice at least 24 hours in advance. It must provide the SIPS Service, in accordance with the applicable service mode profile and the modified Performance Guarantees.

Akaysha Energy will continue to receive the Service Charge while providing the Alternative Service. However, a portion of merchant revenue, earned while providing the Alternative Service and calculated under the Revenue Sharing Amount, will be applied to reduce future Service Charges payable by Transgrid to Akaysha Energy. This reduces the Amounts Payable by the Scheme Financial Vehicle (SFV) to Transgrid and, all else being equal, is expected to lower contribution orders payable by distribution network service providers under the Electricity Infrastructure Roadmap, thereby lowering costs for NSW electricity customers.

The Modified SIPS Service Agreement also includes limited extensions to the SIPS Service Period to support energy security requirements.

Expected benefits for NSW electricity customers

The proposed modifications are expected to improve outcomes for NSW electricity customers while maintaining the reliability outcomes originally contemplated by the WSB Project.

The principal benefits are expected to include:

- Lower costs, by enabling a portion of merchant revenues earned during the Alternative Service Period to offset future Service Charges through the Revenue Sharing Amount, thereby reducing the Amounts Payable funded through the SFV.
- Improved wholesale electricity market outcomes, by enabling Akaysha Energy's WSB to participate in wholesale electricity market when the SIPS Service is not required. This is anticipated to increase the availability of dispatchable capacity, improve market competition and is expected to place downward pressure on wholesale electricity prices and price volatility.
- Greater operational flexibility, by preserving ability to reserve the SIPS Service whenever required and extending the Service Period to support the delivery and commissioning of major transmission infrastructure. These arrangements improve the utilisation of the WSB while ensuring the SIPS Service remains available when needed.