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Dear Sebastian

TransGrid's Powering Sydney's Future

AEMO has participated in several meetings with TransGrid, Ausgrid and AER staff to discuss differences in load forecasts in relation to TransGrid's Powering Sydney's Future (PSF) project. PSF is a new cable solution to meet reliability requirements in the Inner Sydney and CBD area.

AEMO understands that both TransGrid and the AER use AEMO's regional forecasts as an input to their assessment of investment needs for main transmission system planning for NSW and the ACT. TransGrid uses distributors' connection point forecasts for network planning at the connection point level. PSF is a major investment in a relatively small geographic area, Inner Sydney, supplied by a specific set of transmission and sub-transmission cables. AEMO currently does not develop forecasts at the level of granularity required for network planning within Inner Sydney due to significant sub-transmission meshing in the Sydney area. Instead, AEMO develops connection point forecasts for the Sydney Region covering a much wider area and a more diverse customer base.

There are a range of reasons why AEMO's Sydney Region connection point forecast is not directly comparable with TransGrid's more granular network planning forecast of Inner Sydney and CBD.

AEMO's Sydney Region forecast:

- covers a much wider area than the Inner Sydney and CBD network, due to significant sub-transmission meshing in the Sydney area limiting AEMO's visibility of changes in demand at individual transmission connection points. Inner Sydney represents the main load centre in AEMO's Sydney Region forecast and influences the forecast demand trajectory.
- incorporates a more diverse range of customer and demand profiles, including a much higher proportion of residential load.
- does not specifically include new large spot loads such as Westconnex and the new Sydney rail infrastructure and services. Each of these individual loads are not considered large enough to represent a structural shift in AEMO's broader Sydney Region demand profile, and the location within the Sydney Region is not material to the broader forecast. Instead, AEMO's methodology assumes that loads less than 5% of maximum demand are captured in the underlying growth trend. AEMO does not have visibility of information in the distribution network and is reliant on information provided by Ausgrid.

As part of AEMO's forecasting methodology, AEMO performs a 'reconciliation' step where AEMO's connection point forecasts are reconciled to the NSW regional forecast. In this process, some unreconciled connection point forecasts will increase and some will decrease. This step ensures that AEMO's forecasts take into account forward looking economic and consumer trends obtained using data at the state level, as more local level data is not always available.

More granular forecasts that capture localised trends and developments in the Inner Sydney and CBD areas may be more appropriate than AEMO's Sydney Region forecast when assessing the timing or scope of the PSF project. Whilst both AEMO and TransGrid/Ausgrid forecasts are showing load growth for their respective areas and thus AEMO's forecast could be deemed to verify

TransGrid/AusGrid's forecasts, for the reasons articulated in this letter AEMOs Sydney Region forecast is not directly comparable to more granular area forecasts within Inner Sydney and CBD.

Yours sincerely



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