AUSTRALIAN ENERGY REGULATOR

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Our Ref: 61592- D18/102479
Contact Officer: Ali Hassan
Contact Phone: 02 9230 9106

25 July 2018

Matthew Webb
Head of Asset Management
Ausgrid
Level 15, 570 George Street
SYDNEY NSW 2000

Dear Mr Webb

Re: Information Request - Sydney CBD RIT-D Dispute

Thank you for meeting with the AER staff on 16 July 2018 to assist our assessment of the dispute raised by the Energy Users Association of Australia (EUAA)[1], regarding Ausgrid's Ensuring Reliability Requirements in the Sydney CBD regulatory investment test for distribution (RIT-D) (Sydney CBD RIT-D).

As discussed in the meeting, pursuant to Clause 5.17.5(h) of the National Electricity Rules (the Rules), the AER may request additional information regarding the dispute from the disputing party or the RIT-D proponent. The additional information should be provided to the AER within 14 days of the receipt of the request.

To assist our assessment of the dispute regarding the Sydney CBD RIT-D, we request that Ausgrid provide all relevant information, including where necessary the underlying data or excel spreadsheets to support the following:

1. The underlying assessment and application to reach the $170/kWh VCR figure as the central scenario in the Sydney CBD RIT-D. This includes a breakdown of customer demographics, including the types of the customers supplied by the two zone substations, their load requirements and annual energy consumption, within the Sydney CBD network area as specified in Figure 1 of the Final Project Assessment Report (FPAR).[2]

2. The cost benefit model for the input assumptions for the analysis of credible options and identification of the preferred option, including the separate cost and benefits for Stage 1, Stage 2 and Stage 3 of the project. Please also provide the capital value of zone substation capacities used to take load from the two substations. In addition, to include the modelling for the sensitivity analysis and the associated inputs used in

[1] EUAA, Sydney CBD RIT–D dispute, 2 July 2018, https://www.aer.gov.au/about-us/dispute-resolution/sydney-cbd-rit%E2%80%93d-dispute
[2] Ausgrid, Final Project Assessment Report, *Ensuring reliability requirements in Sydney CBD*, 8 June 2018

the range of future scenarios referenced in section 5.4 of the FPAR for the Sydney CBD RIT-D. This should include the impact that each independent variable has on the identification and timing of the credible options, including the sensitivity analysis of the $90/kWh VCR estimate.

3. The load weighted value of VCR based on the AEMO tables and escalated for inflation would yield a value of VCR of approximately $40-50/kWh. We note the notice of dispute refers to the 'agreed Sydney CBD value of $90/kWh'.[3] Please provide an explanation and supporting argument:
    a. Why the simple escalated load weighted value was not appropriate to this project;
    b. Why the value of $90/kWh was not adopted, including specific reasons why Ausgrid did not agree the value was a reasonable basis for this analysis; and
    c. Why Ausgrid adopted a load weighted value of VCR of $170/kWh for analysis of some elements of this project.

    Please ensure to distinguish those parts of the analysis that relied on figures greater than the simple escalated load weighted value.

4. How Ausgrid derived the values, as shown in Table 7 and section 4.2 of the Notice of Screening for Non-Network Options report[4], that set out the funding available to pay for demand management, and the costs expected to be charged by consumers to provide demand management services. In addition, please provide evidence that supports your assessment that a combination of DM options or DM and network options are not able to form a credible option with reduced cost.

5. The two proposed options including the capital cost build up and further detail about how the new cables will connect to the consolidation cables or feeders. The costs should include: the proposed cable ducts, cables, consolidation cables, feeder reconfiguration costs, decommissioning costs and any other costs. The supporting information should include the assumptions used, quotes received or the other basis for the cost estimate. If expenditure from a past project was used, please provide an explanation and calculations for how those costs were used to derive the costs/rates for this project. Please provide the cost build up for the replacement of the substations as described in Table 3.4 of the FPAR.

6. Data relevant to the annual outage durations associated with asset failures and associated reliability standards applied to the project referenced in section 2.2 of the FPAR, alongside associated projects within the network areas. Furthermore, provide any potential studies on the market responses to high prices and congestion within the Ausgrid network area, if available. This may include any data on the extent of energy management and storage systems within the network areas.

7. Details of the demand forecast for the Sydney CBD substations referenced in Table 2.1 of the FPAR (CBD Substations).[5] This should include any models which will provide transparency regarding the methodology used to derive the demand forecast for the relevant substations, including whether any diversity factor between industrial/commercial and residential demand has been accounted for on the forecast.

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[3] EUAA, Sydney CBD RIT–D dispute, 2 July 2018, Page 1, https://www.aer.gov.au/about-us/dispute-resolution/sydney-cbd-rit%E2%80%93d-dispute

[4] Ausgrid, Notice on Screening for Non-network Options Report, *Ensuring reliability requirements in Sydney CBD*, May 2018

[5] Specifically, City East, Dalley Street, City North, City Central, City South, Belmore Park

a. Please also confirm how the Sydney energy master plan has been included in these forecasts. This should include details of any forecast spot loads comprised in these costs, forecast load transfers, and any other material Ausgrid believes is necessary to provide an understanding of each demand forecast. For clarity, spot load details should include at least the name of the expected spot load, the type of load (e.g. commercial, industrial, etc.), the load in MVA and the expected date of the load being applied to the network. Similar information should be provided for load transfers. This should include any analysis on the increased load constraints on Belmore Park following the load transfer.

b. If available, please provide the yearly demand profile for each of the CBD substations for the preceding 10 years, and forecasted demand profiles if available

8. The model for the calculation of the unserved energy (USE). Include the assumptions that cause the change in rate of increase of unserved energy in 2023/24, as shown in Figure 4, and why the USE flattens off after 2035.

We request you provide this information by **8 August 2018.**

If you have questions regarding this information request, please contact Ali Hassan on (02) 9230 9106.

Yours sincerely,

Peter Adams
General Manager
Wholesale Markets Branch

Sent by email on: 25.07.2018